

LEHI CITY CORPORATION
STATE OF UTAH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Prepared by:

Department of Finance and Administration

Ronald W. Foggin

Finance Director

James P. Davidson

City Administrator

LEHI CITY CORPORATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006

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INTRODUCTORY SECTION



153 North 100 East – P.O. Box 255 – Lehi, Utah 84043-1895
801-768-7100 – Fax: 801-768-7101

December 1, 2006

To the Honorable Mayor, City Council and Citizens of Lehi City:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Lehi City (the City) for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's basic financial statements have been audited by Osborne, Robbins and Buhler PLLC, a firm of licensed certified public accounts. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Lehi is located 12 miles north of Provo and 23 miles south of Salt Lake City. Lehi was settled by Mormon pioneers in 1850 and was known by several different names: Sulphur Springs, Snow's Springs, Dry Creek and Evansville. The final name settled on by the Town's people was Lehi. The City was incorporated in 1852. Lehi is Utah's sixth oldest City.

The City has had a strong mayor form of government since 1852. Policy making and legislative authority are vested in a governing council consisting of the mayor and five city council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's administrator, recorder, and treasurer. The City's administrator is responsible for carrying out policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing heads of the various departments. The mayor and city council are elected on a non-partisan basis. City council members serve four-year staggered terms. The mayor is elected to serve a four-year term. The mayor and all five city council seats are elected at large.

Lehi has a rich history. The Overland Stage Coach Route ran through the town. The famous Pony Express Trail ran next to the town. The Transcontinental Telegraph line ran adjacent to the City.

The City is a beautiful place to live. Just to the south is Utah Lake used for boating, fishing and hunting. The river that drains Utah Lake is the Jordan River, which runs through the City. To the east of the City are the beautiful Wasatch Mountains and to the west are the White Mountains and Oquirrh Mountains. All of which are within thirty minutes of Lehi offering a variety of activities including hiking, mountain biking, fishing, camping and skiing.

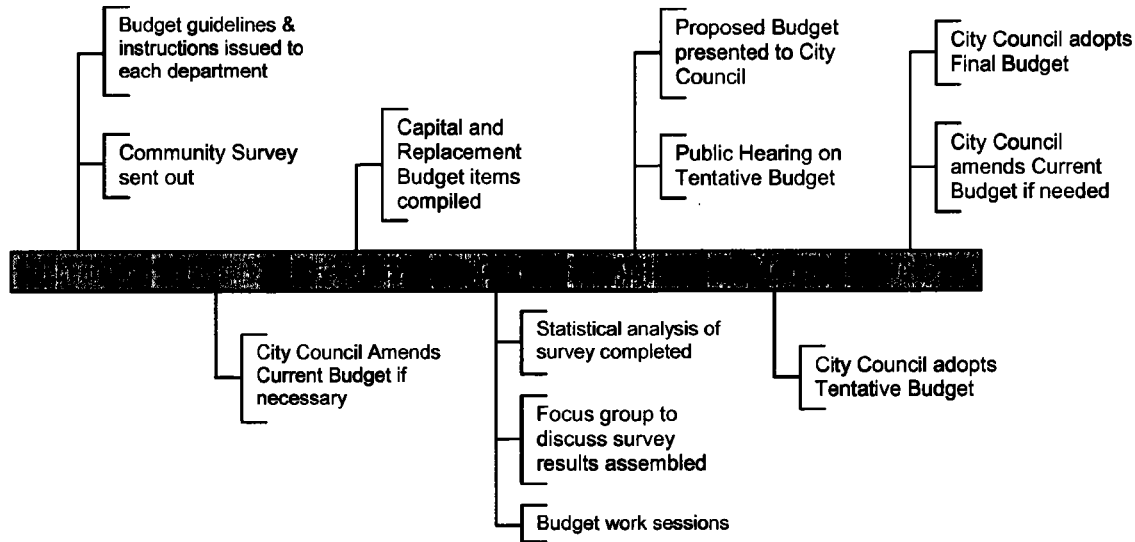


The City has a very western feel with many of the downtown businesses operating in buildings built in the late 1800s. The Lehi Roundup is a five-day celebration with many different community events, a stock parade, a standard parade and a professional rodeo. The Lehi Roundup Rodeo is one of the oldest rodeos in the state.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and roads; parks; both commercial and residential building inspection; a wide variety of recreational programs; and cultural events. The City also owns and operates a culinary water system, a secondary water system, a wastewater system, a storm water system, an

electrical distribution system, solid waste collection, a swimming facility, and an emergency medical service.

The annual budget serves as the foundation for the City's financial planning and control. The City's budget process is well laid out starting in December for a budget that will be adopted by June 22 and goes into effect July 1. The creation of the budget follows the time line below:



The City is required to hold two public hearings on the proposed budget. The first public hearing must be held by May 22 for the adoption of the tentative budget. The second public hearing must be held by June 22 for the adoption of the final budget.

Within the existing budget, department heads may make transfers of appropriations inside their department. Transfers of appropriations between departments, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 21 as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets, other than the general fund, this comparison is presented in the governmental fund subsection of this report, which starts on page 60. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e., the special revenue funds and the capital project fund).

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The City has enjoyed strong residential growth for the last ten years and it appears that growth will continue for a number of years to come. The commercial growth has really picked up with

the opening of Walgreens Drug, Lowes Hardware and a Costco. There are several restaurants planned for 2007 as well as three hotels. A large developer is planning to add 800,000 square feet of office space at the north end of the City. The new Cabela's store, a one of a kind retailer is enjoying great success. The City has some of the best undeveloped commercial frontage along the Wasatch Front.

The region has Brigham Young University, Utah Valley State College and the University of Utah within 25 minutes of the City center. These higher education facilities employ more than 3,000 people. These universities provide a strong educated work force for a large number of high tech businesses in the area. The region also provides some of the best medical facilities in the western United States. Utah County, the County in which the City is located, has an unemployment rate of 2.5%, which is slightly lower than the State of Utah, which is at 2.6%.

Long-term Financial Planning

The City's long-term goals are expressed simply as meeting tomorrow's needs with good financial decisions and by continuing to forecast capital improvements into the future. The identification and implementation of long term planning has permitted the City to construct one of the finest park systems in our region. From just three parks a few years ago to more than a dozen major facilities today, we have successfully transformed our community's park system and created exceptional open spaces for our citizen's enjoyment. The strategic planning for parks has been expanded to include a trail system that will allow joggers, walkers and bicyclists to enjoy the Dry Creek Basin, which runs through the entire City.

In our utility area, numerous long-term goals include maintenance of a high service level and sufficient advance planning to meet expected demands. For example, the culinary water system planning process has required the City Engineer to prepare a capital facilities plan that provides for the provision of resources, storage and transmission systems to keep up with the demands of our growing community. An example of success in long-term planning has been made in the area of power. With a good twenty-year strategic plan, the City was able to bond for six million dollars to complete a new substation as well as improvements to existing substations. Without the strategic plan in place the City would not be able to anticipate infrastructure needs in a timely manner and some services could be interrupted.

Our storm drainage plans include ambitious expansions in the future to deal with years of neglect and the pressure of growth. Likewise, sewer and road systems are under careful review to be certain that as our systems age they are maintained in a manner that identifies and solves problems before failures occur. Currently there are no plans to bond for any infrastructure projects in the next two years, but in the next five years there will be additional road excess bonds issued to continue improvement to roadways and sidewalks. In ten years the City will more than likely bond for \$4,200,000 for park property that is currently being leased. With long term plans, it becomes easier to be proactive rather than being reactive.

Finally, our commitment to public safety cannot be overstated. The City started in August 2006 24/7 EMS service. The roll out of this much needed service was a culmination of years of planning. This is only one step in a continuing effort to improve public safety. Additional fire personnel are needed to make the service complete. This was a huge commitment, but one that needed to occur as response time to accidents and fires had fallen far below national standards.

As a long-term goal it is clear that a sense of safety must be maintained if our citizens are to enjoy the wide array of programs and activities being provided in the community. Lehi's strategic plan

has identified the need for several more satellite fire/EMS stations on the south and north ends of the City. If the growth continues as it has over the last ten years a new fire station will be critically needed in the next three years. A new satellite fire station will allow the fire and EMS departments to respond to emergency calls much faster on the northeast side of the City.

Cash Management Policies and Practices

The City maintains an active investment program with the State Investment Pool as well as with local banking institutions. All investments comply with the Utah Money Management Act. The City's investment policy includes many self-imposed constraints in order to effectively safeguard the public funds involved. Idle cash is invested on a daily basis. The City maintains a zero cash balance at a local bank. Funds wash into an investment account at the end of each day, maximizing the City's interest income.

Awards and Acknowledgements

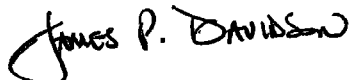
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. This was the eighth consecutive year the government has received this prestigious award. In order to be awarded the Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

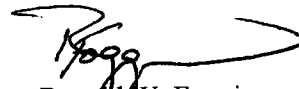
In addition, The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2007. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance, treasury, and administration departments. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



James P. Davidson
City Administrator



Ronald W. Foggin
Assistant City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lehi City Corporation
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

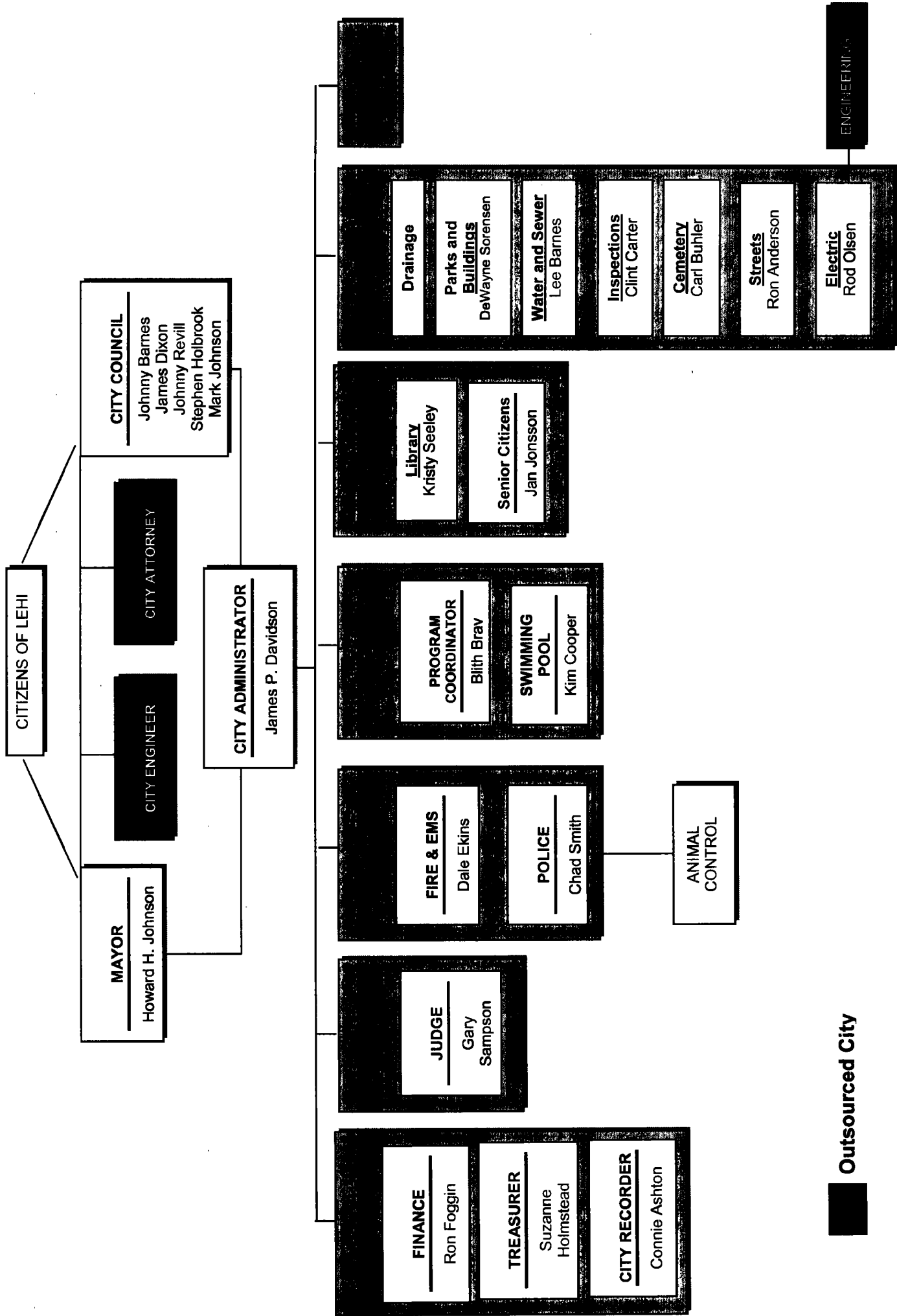


A handwritten signature in black ink, appearing to read "Ronald J. [unclear]".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director





Principal Officials
For the Fiscal Year
July 1, 2005 through June 30, 2006

Howard H. Johnson
Mayor

Johnny Barnes
Councilperson

James Dixon
Councilperson

Mark Johnson
Councilperson

Stephen Holbrook
Councilperson

Johnny Revill
Councilperson

James P. Davidson
City Administrator



FINANCIAL SECTION

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
Lehi City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lehi City Corporation, Utah (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lehi City Corporation, Utah as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lehi City Corporation, Utah basic financial statements. The introductory section, combining, and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Osborne Robbins & Bahler PLLC

December 1, 2006

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006

As management of the City, we offer readers of City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I - V of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$235,471,056 (*net assets*). Of this amount, \$19,045,350 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The total net assets of \$235,471,056 are made up of \$207,391,645 in capital assets net of related debt and \$28,079,441 in other net assets.
- The City's governmental funds reported combined fund balances of \$11,944,652. This ending fund balance is \$2,067,945 more than the beginning fund balance of \$9,876,707.
- The City's total debt increased by a net of \$7,039,022 during the current fiscal year. The key factor in this increase was the issuance of \$6,000,000 in power revenue bonds. This bond money was used to fund a new substation and upgrades to existing substations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to of the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, community development, streets and highways, parks, recreation and culture, and cemetery. The business-type activities of the City include culinary water, sewer, pressurized irrigation, electric, drainage, and garbage.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate museum for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Redevelopment Agency and Municipal Building Authority, although legally separate, function for all practical purposes as departments of the City, and therefore have been included as integral parts of the primary government.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spend-able resources*, as well as on *balances of spend-able resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects – streets fund, and the redevelopment agency special revenue fund which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statement can be found on pages 19-21 of this report.

LEHI CITY CORPORATION

Management's Discussion and Analysis

For the Year Ended June 30, 2006

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its culinary water, sewer, pressurized irrigation, electric, drainage, and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the culinary water, sewer, pressurized irrigation, electric, and drainage funds, which are considered to be major funds of the City. Conversely, the swimming pool fund, ambulance fund, and the garbage fund are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for these funds is provided in the form of *combining statements* elsewhere in this report. As of July 1, 2005, the operations of the swimming pool fund and the ambulance fund were consolidated into the general fund.

The basic proprietary fund financial statements can be found on pages 22-26 of this report.

Notes to the financial statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-54 of this report.

Other information. Combining and individual fund statements and schedules can be found on pages 56-72 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, net assets exceeded liabilities by \$235,471,056 at the close of the most recent year.

By far the largest portion of the City's net assets (88%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$19,045,350 may be used to meet the government's ongoing obligations to citizens and creditors.

The governmental activities column reflects an increase in net assets of \$24,449,075. The increase is due to a large increase in capital assets. Much of the capital assets come from contributions from developer as they add infrastructure.

The net assets of the City's business-type activities increased by 29% to \$120,554,078 compared to \$93,773,817 in 2005, which is attributable primarily to contributions of capital assets from developers and impact fee revenues.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006

LEHI CITY CORPORATION NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 20,463,938	\$ 17,877,862	\$ 24,747,583	\$ 14,742,575	\$ 45,211,521	\$ 32,620,437
Capital assets	162,328,501	137,966,980	123,481,640	101,310,724	285,810,141	239,277,704
Total assets	182,792,439	155,844,842	148,229,223	116,053,299	331,021,662	271,898,141
Long-term liabilities outstanding	66,214,659	66,318,469	18,609,521	13,466,689	84,824,180	79,785,158
Other liabilities	5,169,459	2,159,967	5,556,967	5,711,296	10,726,426	7,871,263
Inter-fund balances	(3,508,657)	(3,101,497)	3,508,657	3,101,497	-	-
Total liabilities	67,875,461	65,376,939	27,675,145	22,279,482	95,550,606	87,656,421
Net assets:						
Invested in capital assets, net of related debt	95,663,909	76,480,271	111,727,736	88,606,990	207,391,645	165,087,261
Restricted	5,069,239	2,464,432	3,964,822	2,278,824	9,034,061	4,743,256
Unrestricted	14,183,830	11,523,200	4,861,520	2,888,003	19,045,350	14,411,260
Total net assets	\$ 114,916,978	\$ 90,467,903	\$ 120,554,078	\$ 93,773,817	\$ 235,471,056	\$ 184,241,777

Governmental activities. Governmental activities increased the City's net assets by \$24,449,075, thereby accounting for 47.7 percent of the total increase in the net assets of the City. Key elements of this increase are as follows:

- Capital grants and contributions increased by \$8,366,055 over 2005 (53.5 percent). This arose primarily from the recognition of land, roads and sidewalk improvements that were added to the City's infrastructure by developers.
- 2006 property taxes increased by 16.2% over 2005. This increase was primarily related to a large amount of residential and commercial growth. The 2006 mill rate was slightly lower than the previous year.
- Sales taxes are up by \$704,962 (40.1 percent). The increase is due in part to the opening of a new Cabela's store a major retailer in outdoor gear.
- Charges for services also experienced a large increase in 2006. The increase was \$3,881,678 over 2005. Impact fees, permit fees, and recreation fees make up most of the increase. As mentioned earlier, the City has experienced a great deal of growth resulting in a large increase in fees associated with growth. The recreation fees have increased dramatically due to the opening of a new aquatic center.

LEHI CITY CORPORATION

Management's Discussion and Analysis

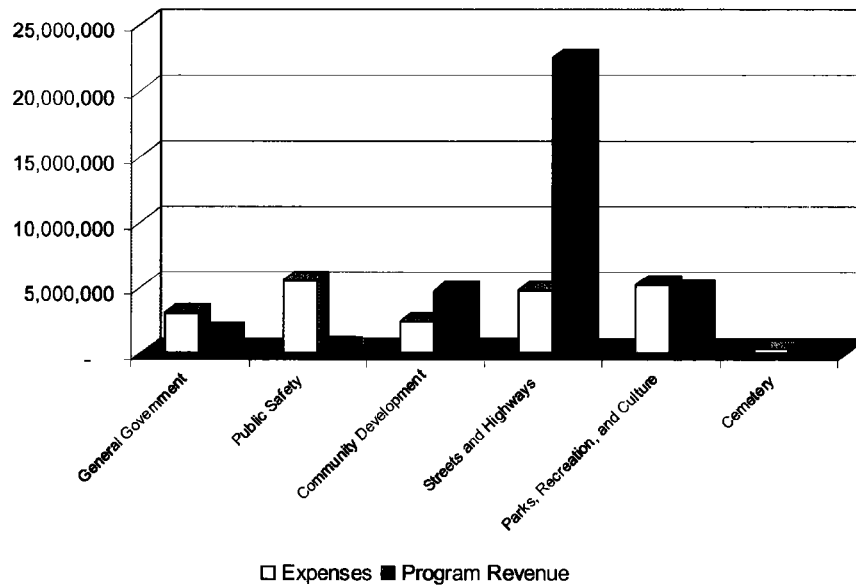
For the Year Ended June 30, 2006

LEHI CITY CORPORATION CHANGES IN NET ASSETS

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 9,725,839	\$ 5,844,161	\$ 24,096,490	\$ 21,180,132	\$ 33,822,329	\$ 27,024,293
Operating grants and contributions	652,893	299,681	-	11,308	652,893	310,989
Capital grants and contributions	23,997,070	15,631,015	26,673,151	11,178,666	50,670,221	26,809,681
General revenues:						
Property taxes	7,078,262	6,087,979	-	-	7,078,262	6,087,979
Other taxes	5,153,342	3,956,541	-	-	5,153,342	3,956,541
Other	739,805	703,060	1,257,537	627,260	1,997,342	1,330,320
Total revenues	47,347,211	32,522,437	52,027,178	32,997,366	99,374,389	65,519,803
Expenses:						
General government	3,061,330	2,473,715	-	-	3,061,330	2,473,715
Public safety	5,591,343	4,058,050	-	-	5,591,343	4,058,050
Community development	2,430,340	2,094,404	-	-	2,430,340	2,094,404
Highways/streets	4,832,769	4,075,003	-	-	4,832,769	4,075,003
Parks, recreation, and culture	5,224,571	4,880,066	-	-	5,224,571	4,880,066
Cemetery	350,002	303,608	-	-	350,002	303,608
Other	-	7,597	-	-	-	7,597
Interest on long-term debt	2,573,686	2,228,046	-	-	2,573,686	2,228,046
Culinary Water	-	-	1,883,564	1,806,484	1,883,564	1,806,484
Sewer	-	-	2,885,779	2,529,956	2,885,779	2,529,956
Pressurized Irrigation	-	-	1,396,885	1,368,222	1,396,885	1,368,222
Electric	-	-	16,087,303	14,829,348	16,087,303	14,829,348
Drainage	-	-	440,973	434,486	440,973	434,486
Swimming Pool	-	-	-	235,355	-	235,355
Ambulance	-	-	-	381,408	-	381,408
Garbage	-	-	1,386,508	1,257,056	1,386,508	1,257,056
Total expenses	24,064,041	20,120,489	24,081,012	22,842,315	48,145,053	42,962,804
Increase in net assets before transfers	23,283,170	12,401,948	27,946,166	10,155,051	51,229,336	22,556,999
Transfers	1,165,905	326,900	(1,165,905)	(326,900)	-	-
Increase in net assets	24,449,075	12,728,848	26,780,261	9,828,151	51,229,336	22,556,999
Net assets at beginning of year, as previously reported	90,467,903	(13,115,773)	93,773,817	83,945,666	70,829,893	70,829,893
Prior period adjustment	-	90,854,828	-	-	-	-
Net assets at beginning of year, as restated	90,467,903	77,739,055	93,773,817	83,945,666	184,241,720	70,829,893
Net assets, ending	\$ 114,916,978	\$ 90,467,903	\$ 120,554,078	\$ 93,773,817	\$ 235,471,056	\$ 184,241,720

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Expenses and Program Revenues - Governmental Activities



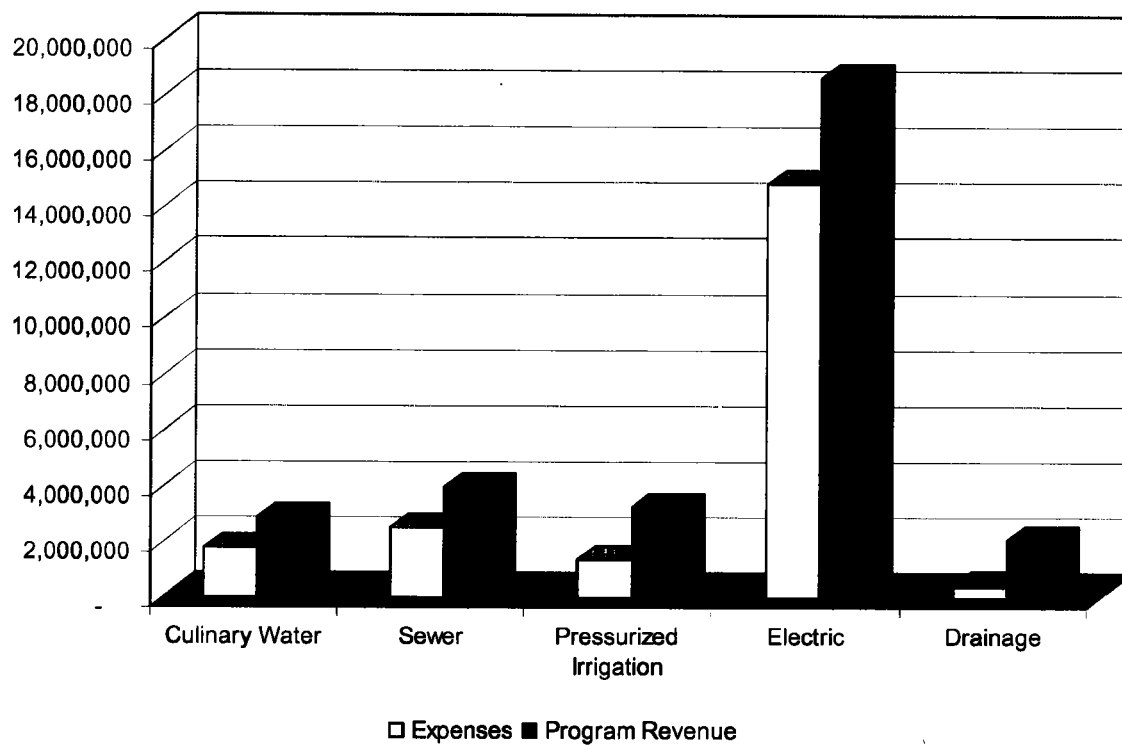
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Several noteworthy exceptions, however, are the City's general government and public safety. The City's general government function had growth in expenses of \$587,615 (24 percent), which was due in large part to the payment of a severance package for a departing city administrator and several professional studies requested by the city council and major. The public safety had growth in expenses of \$1,533,293 (38 percent) over 2005. The City started at the beginning of the 2006 fiscal year emergency medical service (EMS) fulltime. As part of this new service the ambulance fund was closed and all expenses and revenues were accounted for in the general fund. This combination accounts for a large amount of the increase in this area.

Business-type activities. Business-type activities increased the City's net assets by \$26,780,261. At the end of the current fiscal year, all of the City's major business-type funds reported positive net assets. Key elements of the increase in net assets are as follows.

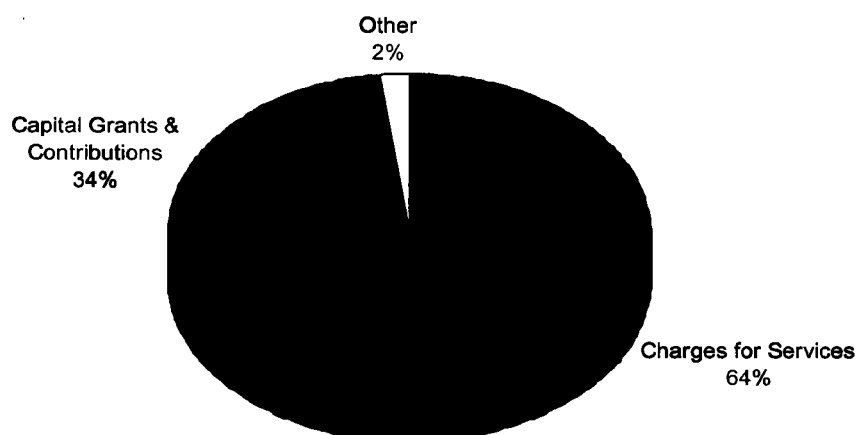
- Charges for services for business-type activities increased by \$2,916,358. The Electric Fund accounts for a significant portion of this with an increase of \$2,272,832. It should be noted that all business-type departments increased their charges for services from fiscal year 2005.
- Capital grants and contributions for the business-type activities increased by \$15,494,485 or 138.6 percent from 2005. The increase is the direct result of contributions from developers who continue to develop property at a very rapid rate.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$11,944,652. \$6,505,545 of this total amount (54.4 percent) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, 3) to pay capital improvements commitments, 4) or for a variety of other restricted purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,515,495, while total fund balance reached \$9,142,291. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22.2 percent of total general fund expenditures, while total fund balance represents 44.8 percent of that same amount. The fund balance of the City's general fund increased by \$3,094,622 during the current fiscal year, this increase is due to increases in revenue in taxes, licenses, fees and permits, charges for services, and fines and forfeitures.

The capital projects fund had a decrease in fund balance of \$1,457,806, which left a fund balance of \$1,352,587. The decrease was a result of construction of additional offices and sleeping quarters for the EMS personnel, completion of infrastructure for a commercial development, and several street projects. The total capital outlay in this fund for 2006 was \$4,859,533.

Proprietary funds. The City's proprietary funds provide the same type of information found in the business-type portions of the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year totaled \$4,861,520. Individually, the pressurized irrigation fund's unrestricted net assets totaled \$510,815, electric \$6,178,240, and drainage \$794,387. The culinary water fund had a negative unrestricted net asset amount of \$1,262,517, the sewer, a negative amount of \$1,120,745 and the non-major enterprise funds a negative amount of \$238,660. Other factors concerning the finances of these proprietary funds can be found earlier in this section under business-type activities.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006

General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original budget expenditure total of \$16,137,050 to a final budget of \$20,930,000, an increase of \$4,792,950. This large increase can be attributed for the part to a very fast growing community and the need for the City to keep up with the growth. The budget adjustments can be briefly summarized as follows:

- \$1,467,600 in increases related to the general government, primarily allocated to the administration department to cover a severance payout, and the facilities maintenance department's purchase of three properties with both departments accounting for \$1,255,900 of the increase.
- \$919,500 in increases related to public safety, most of which was allocated to the police department.
- The parks, recreation and culture had an overall increase of \$1,462,650. This increase was due to increases in all departments in this category, but the biggest impact came from the recreation department. The recreation department's budget changed \$777,200. This large increase is a result of not knowing what it would cost to operate the new aquatic facility year round. The parks department budget did increase \$377,800 from the original budget, which as needed to complete several capital park projects.
- \$394,900 in increases in community development most of which went to the inspection department to add more personnel to do building inspection and plan review.

General fund revenues were sufficient to meet all expenditures with taxes, licenses, fees and permits, charges for services, and fines and forfeitures surpassing budgeted totals.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$285,810,141 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements including infrastructure and distribution systems, machinery and equipment, vehicles, and office furniture and equipment.

Major capital asset events during the current fiscal year include the following:

- In the general fund \$945,153 of property and buildings were purchased to expand office space and add much needed parking.
- Public infrastructure was completed as part of a commercial development for Cabela's. This infrastructure consisted of new roads, culinary water, pressurized irrigation, sewer, electric, and drainage at a cost of \$2,673,674.
- Capital contributions from development added \$18,712,009 in fixed assets to the culinary water, sewer, pressurized irrigation, electric, and drainage funds.
- The electric fund added an additional transformer to a substation totaling \$762,798 and made improvements to the main power feeder lines for \$517,467.
- Several road projects were completed at a cost of \$657,708.
- The City completed phase five of its new sports park adding a concession/scoring building, fencing, and a large amount of flat work at a cost of \$585,238.
- A very important culinary well and storage tank was completed in fiscal year 2006 at a cost of \$1,307,437.
- Key storm drain infrastructure was added for \$216,869.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006

LEHI CITY CORPORATION CAPITAL ASSETS
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$41,136,263	\$ 31,887,914	\$ 1,806,482	\$ 1,816,482	\$42,942,745	\$ 33,704,396
Construction in progress	3,204,949	5,914,820	2,389,772	47,653	5,594,721	5,962,473
Buildings	12,167,005	11,657,343	759,351	1,826,824	12,926,356	13,484,167
Improvements, including infrastructure	101,728,685	84,715,866	116,707,038	95,956,351	218,435,723	180,672,217
Machinery, equipment, and vehicles	3,727,873	3,483,079	1,798,922	1,657,083	5,526,795	5,140,162
Office furniture and equipment	363,726	307,958	20,075	6,331	383,801	314,289
Total	\$162,328,501	\$137,966,980	\$123,481,640	\$101,310,724	\$285,810,141	\$239,277,704

Additional information on the City's capital assets can be found in note E on pages 39-41 of this report.

Long-term debt. At the end of the current fiscal year the City had total bonded debt outstanding of \$37,807,725. Of this amount \$6,385,112 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment and \$4,115,000 is excise tax debt which is secured by Class C road taxes. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

LEHI CITY CORPORATION OUTSTANDING DEBT

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Capital Lease Obligations	\$ 679,356	\$ 292,194	\$ 420,591	\$ 154,809	\$ 1,099,947	\$ 447,003
Special Assessment Bonds	3,461,254	3,780,987	2,383,954	2,604,125	5,845,208	6,385,112
Excise Tax Bonds	3,660,000	4,115,000	-	-	3,660,000	4,115,000
Tax Increment Note Payable to Developer	39,276,305	39,127,461	-	-	39,276,305	39,127,461
Revenue Bonds	19,910,942	17,896,625	15,315,824	10,271,413	35,226,766	28,168,038
Other Liabilities	1,226,802	1,106,202	489,152	436,342	1,715,954	1,542,544
Total	\$68,214,659	\$ 66,318,469	\$18,609,521	\$ 13,466,689	\$86,824,180	\$ 79,785,158

The City increased its total debt by \$7,039,022 in fiscal year 2006. The two key factors for this increase were a subordinated sales tax revenue bond totaling \$2,599,092 and a \$6,000,000 power revenue bond. The sales tax revenue bond was issued to make public improvements to a commercial area within the City and the power revenue bond was issued to improve existing substations and build a new substation.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006

The City was awarded an underlying "AA-" rating up from an underlying "A+" rating from Standard & Poor's ("AAA" insured) for sales tax revenue bonds and an underlying "A3" from Moody's ("Aaa" insured) for the culinary water and pressurized irrigation funds. All bonds previous to these were rated with an "AAA" with the purchase of bond insurance.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$94,814,247 and the City currently has no general obligation debt. In addition, state statutes allow for an additional 4% to be used for business-type debt, thus resulting in a debt limit of 8% of total taxable value. The current limitation for business-type projects is \$189,628,494, which significantly exceeds the outstanding business-type debt the City currently has.

Additional information on the City's long-term debt can be found in note G on pages 41-48 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Utah County is currently 2.5% (unemployment data is not available for the City). This compares to the state unemployment rate of 2.6% and a national rate of 4.5%.
- The City continues to grow rapidly adding 1,452 single family residential units in the last fiscal year making the City the fastest growing community in Utah County and one of the fast growing in the state.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2007 fiscal year. The 2007 budget is balanced without the need of a property tax increase, or any large transfers from any of the proprietary funds. There are no expected rate changes for any of the services currently being provided by the City.

Cabela's opened a new 160,000 square foot retail store in early fiscal year 2006. This one of a kind retailer brought in approximately 4,000,000 million visitors to the City in 2006. The store opened to the biggest opening Cabela's has ever had, and the City is excited about all the businesses that are expected to follow.

Costco and Loews broke ground early in the 2006 fiscal year and opened their doors August 2006. These two stores are expected to generate \$200,000,000 in taxable sales. There are also several new restaurants and a hotel scheduled for construction during the fiscal year.

All these businesses opening their doors in the Lehi mean more sales tax dollars for the City. The additional sales tax dollars will allow the City to add critical services that may have been lacking in the past such as fulltime 24 hour, 7 day a week EMS service, which was started August 1, 2006. Sales tax revenue is forecast to be higher and with the additional increase the City is planning to continue its drive towards additional fire stations and more fulltime fire/EMS personnel as well as parks, improved streets, and many other services the community wants and needs.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 153 North 100 East, Lehi, Utah, 84043.

BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2006

	PRIMARY GOVERNMENT			COMPONENT UNIT HUTCHINGS MUSEUM
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
CASH AND CASH EQUIVALENTS	\$ 3,956,909	\$ 5,239,027	\$ 9,195,936	\$ -
RECEIVABLES (NET)				
ACCOUNTS	-	2,540,158	2,540,158	-
TAXES	6,864,000	-	6,864,000	-
INTERGOVERNMENTAL	243,910	-	243,910	-
OTHER	8,797	-	8,797	-
DUE FROM COMPONENT UNIT	20,870	-	20,870	-
INVENTORY	-	2,471,268	2,471,268	-
SPECIAL ASSESSMENT RECEIVABLE	3,461,116	2,383,884	5,845,000	-
INVESTMENT IN WATER STOCK				
AND RIGHTS, AT COST	-	1,182,680	1,182,680	-
BOND ISSUE COSTS (NET)	274,722	440,357	715,079	-
RESTRICTED CASH AND CASH EQUIVALENTS	5,633,614	10,490,209	16,123,823	7,500
NON-DEPRECIABLE CAPITAL ASSETS	44,341,212	4,196,254	48,537,466	5,000
DEPRECIABLE CAPITAL ASSETS, NET	117,987,289	119,285,386	237,272,675	380,189
TOTAL ASSETS	182,792,439	148,229,223	331,021,662	392,689
LIABILITIES				
INTERFUND BALANCES	(3,508,657)	3,508,657	-	-
ACCOUNTS PAYABLE	669,294	3,726,457	4,395,751	466
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	194,507	83,001	277,508	-
DUE TO PRIMARY GOVERNMENT	-	-	-	20,870
WAGES PAYABLE	322,354	81,782	404,136	2,563
ACCRUED LIABILITIES	1,334,950	-	1,334,950	-
ACCRUED INTEREST PAYABLE	648,354	71,782	720,136	-
CUSTOMER DEPOSITS	-	139,268	139,268	-
UNEARNED REVENUE	-	1,454,677	1,454,677	-
NON-CURRENT LIABILITIES				
DUE WITHIN ONE YEAR	2,642,657	1,373,675	4,016,332	-
DUE IN MORE THAN ONE YEAR:				
COMPENSATED ABSENCES	282,687	366,864	649,551	-
LANDFILL POSTCLOSURE COSTS	96,055	-	96,055	-
CAPITAL LEASES PAYABLE	519,362	296,064	815,426	-
NOTE PAYABLE TO DEVELOPER	39,276,305	-	39,276,305	-
BONDS PAYABLE	25,397,593	16,572,918	41,970,511	-
TOTAL LIABILITIES	67,875,461	27,675,145	95,550,606	23,899
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	95,663,909	111,727,736	207,391,645	361,290
RESTRICTED FOR				
CAPITAL IMPROVEMENTS	4,626,796	3,964,822	8,591,618	-
DEBT SERVICE	442,443	-	442,443	7,500
UNRESTRICTED	14,183,830	4,861,520	19,045,350	-
TOTAL NET ASSETS	\$ 114,916,978	\$ 120,554,078	\$ 235,471,056	\$ 368,790

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES				
GENERAL GOVERNMENT	\$ 3,061,330	\$ 1,671,982	\$ -	\$ -
PUBLIC SAFETY	5,591,343	389,767	161,280	-
COMMUNITY DEVELOPMENT	2,430,340	4,738,740	-	-
STREETS AND HIGHWAYS	4,832,769	314,829	429,525	21,697,731
PARKS, RECREATION AND CULTURE	5,224,571	2,496,624	62,088	2,299,339
CEMETERY	350,002	113,897	-	-
INTEREST ON LONG-TERM DEBT	2,573,686	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	24,064,041	9,725,839	652,893	23,997,070
BUSINESS-TYPE ACTIVITIES				
CULINARY WATER	1,883,564	1,986,927	-	3,834,148
SEWER	2,885,779	2,071,764	-	5,682,429
PRESSURIZED IRRIGATION	1,396,885	1,325,319	-	4,950,011
ELECTRIC	16,087,303	16,880,143	-	8,476,203
DRAINAGE	440,973	426,361	-	3,730,360
GARBAGE	1,386,508	1,405,976	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	24,081,012	24,096,490	-	26,673,151
TOTAL PRIMARY GOVERNMENT	\$ 48,145,053	\$ 33,822,329	\$ 652,893	\$ 50,670,221
COMPONENT UNIT				
HUTCHINGS MUSEUM	\$ 193,555	\$ 31,601	\$ 133,196	\$ -

GENERAL REVENUES:
PROPERTY TAXES LEVIED FOR GENERAL PURPOSES
SALES TAXES LEVIED FOR GENERAL PURPOSES
FRANCHISE TAXES
MOTOR VEHICLE FEES IN LIEU
INVESTMENT EARNINGS
GAIN ON SALE OF CAPITAL ASSETS
OTHER

TOTAL GENERAL REVENUES
TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS
CHANGE IN NET ASSETS

NET ASSETS AT BEGINNING OF YEAR
NET ASSETS AT END OF YEAR

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NET REVENUE (EXPENSE) AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	HUTCHINGS MUSEUM
\$ (1,389,348)	\$ -	\$ (1,389,348)	\$ -
(5,040,296)	-	(5,040,296)	-
2,308,400	-	2,308,400	-
17,609,316	-	17,609,316	-
(366,520)	-	(366,520)	-
(236,105)	-	(236,105)	-
(2,573,686)	-	(2,573,686)	-
10,311,761	-	10,311,761	-
-	3,937,511	3,937,511	-
-	4,868,414	4,868,414	-
-	4,878,445	4,878,445	-
-	9,269,043	9,269,043	-
-	3,715,748	3,715,748	-
-	19,468	19,468	-
-	26,688,629	26,688,629	-
10,311,761	26,688,629	37,000,390	-
			\$ (28,758)
5,594,262	-	5,594,262	-
3,946,970	-	3,946,970	-
2,186,651	-	2,186,651	-
503,721	-	503,721	-
698,566	328,593	1,027,159	-
41,239	-	41,239	-
-	928,944	928,944	-
12,971,409	1,257,537	14,228,946	-
1,165,905	(1,165,905)	-	-
14,137,314	91,632	14,228,946	-
24,449,075	26,780,261	51,229,336	(28,758)
90,467,903	93,773,817	184,241,720	397,548
\$ 114,916,978	\$ 120,554,078	\$ 235,471,056	\$ 368,790

LEHI CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

ASSETS	GENERAL	CAPITAL PROJECTS STREETS	SPECIAL REVENUE REDEVELOPMENT AGENCY	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND CASH EQUIVALENTS	\$ 1,393,981	\$ 541,302	\$ 1,486,754	\$ 534,872	\$ 3,956,909
RECEIVABLES					
TAXES	5,114,000	-	1,750,000	-	6,864,000
INTERGOVERNMENTAL	243,910	-	-	-	243,910
OTHER	8,797	-	-	-	8,797
SPECIAL ASSESSMENT	-	3,461,116	-	-	3,461,116
DUE FROM OTHER FUNDS	4,076,747	-	-	-	4,076,747
DUE FROM COMPONENT UNIT	20,870	-	-	-	20,870
RESTRICTED CASH AND CASH EQUIVALENTS	4,685,034	947,554	-	1,026	5,633,614
TOTAL ASSETS	\$ 15,543,339	\$ 4,949,972	\$ 3,236,754	\$ 535,898	\$ 24,265,963

LIABILITIES					
ACCOUNTS PAYABLE	\$ 664,506	\$ -	\$ -	\$ 4,788	\$ 669,294
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	58,238	136,269	-	-	194,507
WAGES PAYABLE	322,354	-	-	-	322,354
ACCRUED LIABILITIES	1,334,950	-	-	-	1,334,950
DEFERRED REVENUE	4,021,000	3,461,116	1,750,000	-	9,232,116
NOTE PAYABLE TO WATER FUND	-	-	568,090	-	568,090
TOTAL LIABILITIES	6,401,048	3,597,385	2,318,090	4,788	12,321,311

FUND BALANCES					
RESERVED FOR DEBT SERVICE	-	442,443	-	1,026	443,469
RESERVED FOR CAPITAL IMPROVEMENTS	4,626,796	368,842	-	-	4,995,638
UNRESERVED	4,515,495	-	-	-	4,515,495
UNRESERVED, REPORTED IN NONMAJOR:					
DEBT SERVICE FUNDS	-	-	-	398,620	398,620
SPECIAL REVENUE FUNDS	-	-	918,664	100,017	1,018,681
CAPITAL PROJECTS FUNDS	-	541,302	-	31,447	572,749

TOTAL FUND BALANCE 9,142,291 1,352,587 918,664 531,110 11,944,652

TOTAL LIABILITIES AND FUND BALANCES \$ 15,543,339 \$ 4,949,972 \$ 3,236,754 \$ 535,898 \$ 24,265,963

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET LIABILITIES OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

TOTAL GOVERNMENTAL FUND BALANCES	\$ 11,944,652
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN THE FUNDS.	162,328,501
OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND THEREFORE ARE DEFERRED IN THE FUNDS.	274,722
LONG-TERM LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN ARE NOT REPORTED IN THE FUNDS.	(68,608,560)
PROPERTY TAXES AND SPECIAL ASSESSMENTS THAT ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES ARE DEFERRED IN THE FUNDS.	9,232,116
INTEREST PAYABLE ON LONG-TERM OBLIGATIONS DOES NOT REQUIRE CURRENT FINANCIAL RESOURCES AND IS NOT REPORTED IN THE GOVERNMENTAL FUNDS.	(254,453)
NET ASSETS OF GOVERNMENT ACTIVITIES	\$ 114,916,978

LEHI CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

LEHI CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES	GENERAL	CAPITAL PROJECTS STREETS	SPECIAL REVENUE REDEVELOPMENT AGENCY	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
TAXES	\$ 8,440,904	\$ -	\$ -	\$ 1,484,000	\$ 11,590,739
LICENSES, FEES AND PERMITS	6,903,211	-	-	-	6,903,211
INTERGOVERNMENTAL	749,068	-	-	589,901	1,338,969
CHARGES FOR SERVICES	4,587,955	-	-	-	4,587,955
FINES AND FORFEITURES	1,219,282	-	-	-	1,219,282
SPECIAL ASSESSMENT REVENUE	-	451,914	-	-	451,914
MISCELLANEOUS	922,616	-	-	55,734	978,350
INTEREST ON INVESTMENTS	457,352	88,827	20,234	-	566,413
TOTAL REVENUES	23,280,388	540,741	1,686,069	2,129,635	27,636,833
EXPENDITURES					
CURRENT					
GENERAL GOVERNMENT	3,826,085	-	-	-	3,826,085
PUBLIC SAFETY	5,424,736	-	-	-	5,424,736
COMMUNITY DEVELOPMENT	2,097,281	-	349,166	46,886	2,493,333
STREETS AND HIGHWAYS	2,949,997	-	-	-	2,949,997
PARKS, RECREATION AND CULTURE	5,639,584	-	-	-	5,639,584
CEMETERY	480,627	-	-	-	480,627
OTHER	-	8,551	-	47	8,598
CAPITAL OUTLAY	-	4,859,533	-	-	4,859,533
DEBT SERVICE	-	-	-	-	-
PRINCIPAL	-	-	-	1,555,506	1,555,506
INTEREST AND FISCAL CHARGES	-	-	-	2,182,580	2,182,580
TOTAL EXPENDITURES	20,418,310	4,868,084	349,166	3,785,019	29,420,579
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,862,078	(4,327,343)	1,336,903	(1,655,384)	(1,783,746)
OTHER FINANCING SOURCES (USES)					
TRANSFERS IN	749,945	800,000	-	1,976,141	3,526,086
TRANSFERS OUT	(1,058,640)	(529,555)	(1,375,375)	-	(2,963,570)
ISSUANCE OF BONDS AND NOTES	-	2,599,092	148,844	-	2,747,936
CAPITAL LEASES	500,000	-	-	-	500,000
SALE OF FIXED ASSETS	41,239	-	-	-	41,239
TOTAL OTHER FINANCING SOURCES (USES)	232,544	2,869,537	(1,226,531)	1,976,141	3,851,691
NET CHANGE IN FUND BALANCE	3,094,622	(1,457,806)	110,372	320,757	2,067,945
FUND BALANCE AT BEGINNING OF YEAR	6,047,669	2,810,393	808,292	210,353	9,876,707
FUND BALANCE AT END OF YEAR	\$ 9,142,291	\$ 1,352,587	\$ 918,664	\$ 531,110	\$ 11,944,652

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,067,945
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES WHILE GOVERNMENTAL ACTIVITIES REPORT DEPRECIATION EXPENSE TO ALLOCATE THOSE EXPENDITURES OVER THE LIFE OF THE ASSETS:	
CAPITAL ASSET PURCHASES CAPITALIZED	8,963,541
DEPRECIATION EXPENSE	(4,647,038)
GOVERNMENTAL FUNDS DO NOT REPORT CAPITAL ASSET TRANSFERS (NET OF RELATED DEBT) FROM PROPRIETARY FUNDS IN THE FUND STATEMENTS	603,389
SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES, SUCH AS COMPENSATED ABSENCES, AND INTEREST, DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED AS EXPENDITURES IN THE GOVERN- MENTAL FUNDS	(369,118)
PROCEEDS FROM DEBT ISSUES ARE AN OTHER FINANCING SOURCE IN THE FUNDS, BUT A DEBT ISSUE INCREASES LONG-TERM LIABILITIES IN THE STATEMENT OF NET ASSETS.	(3,247,936)
REPAYMENT OF BOND PRINCIPAL IS AN EXPENDITURE IN GOVERNMENTAL FUNDS, BUT THE REPAYMENT REDUCES LONG-TERM LIABILITIES IN THE STATEMENT OF NET ASSETS.	1,555,506
GOVERNMENTAL FUNDS REPORT BOND ISSUE COSTS AS EXPENDITURES, WHILE GOVERNMENTAL ACTIVITIES	
AMORTIZATION OF ISSUE COSTS	(14,199)
SOME PROPERTY TAX REVENUES AND SPECIAL ASSESSMENT REVENUES ARE NOT CONSIDERED "AVAILABLE" IN THE GOVERNMENTAL FUNDS	188,951
CONTRIBUTIONS FROM DEVELOPERS OF INFRA- STRUCTURE NOT RECORDED IN GOVERNMENTAL FUNDS	19,348,034
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 24,449,075

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FUND			VARIANCE WITH	REDEVELOPMENT AGENCY			VARIANCE WITH
				FINAL BUDGET				FINAL BUDGET
	BUDGETED AMOUNTS	ACTUAL	POSITIVE		BUDGETED AMOUNTS	ACTUAL	POSITIVE	
	ORIGINAL	FINAL	(NEGATIVE)		ORIGINAL	FINAL	(NEGATIVE)	
REVENUES								
TAXES	\$ 7,097,300	\$ 7,306,000	\$ 1,134,904		\$ 2,000,000	\$ 1,670,000	\$ 1,665,835	\$ (4,165)
LICENSES, FEES AND PERMITS	2,960,000	5,847,000	1,056,211		-	-	-	-
INTERGOVERNMENTAL REVENUE	637,000	745,000	4,068		-	-	-	-
CHARGES FOR SERVICE	3,002,500	4,320,500	267,455		-	-	-	-
FINES AND FORFEITURES	1,052,000	1,102,000	117,282		-	-	-	-
MISCELLANEOUS REVENUE	475,000	1,289,500	90,468		15,000	15,000	20,234	5,234
TOTAL REVENUES	15,223,800	20,610,000	2,670,388		2,015,000	1,685,000	1,686,069	1,069
EXPENDITURES								
GENERAL GOVERNMENT	2,372,500	3,840,100	3,826,085	14,015	-	-	-	-
PUBLIC SAFETY	4,643,100	5,562,600	5,424,736	137,864	-	-	-	-
COMMUNITY DEVELOPMENT	1,807,500	2,202,400	2,097,281	105,119	395,000	365,000	349,166	15,834
STREETS AND HIGHWAYS	2,679,200	3,146,500	2,949,997	196,503	-	-	-	-
PARKS, RECREATIONS AND CULTURE	4,333,250	5,820,900	5,639,584	181,316	-	-	-	-
CEMETERY	401,500	482,500	480,627	1,873	-	-	-	-
TOTAL EXPENDITURES	16,237,050	21,055,000	20,418,310	636,690	395,000	365,000	349,166	15,834
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,013,250)	(445,000)	2,862,078	3,307,078	1,620,000	1,320,000	1,336,903	(14,765)
OTHER FINANCING SOURCES (USES)								
ISSUANCE OF NOTES	-	-	-	-	148,800	148,800	148,844	44
TRANSFERS IN	605,000	605,000	749,945	144,945	-	-	-	-
TRANSFERS OUT	-	(800,000)	(1,058,640)	(258,640)	(1,768,800)	(1,468,800)	(1,375,375)	93,425
CAPITAL LEASES	-	500,000	500,000	-	-	-	-	-
SALE OF CAPITAL ASSETS	20,000	40,000	41,239	1,239	-	-	-	-
TOTAL OTHER FINANCING SOURCES	625,000	345,000	232,544	(112,456)	(1,620,000)	(1,320,000)	(1,226,531)	93,469
NET CHANGE IN FUND BALANCE	(388,250)	(100,000)	3,094,622	3,194,622	808,292	-	110,372	78,704
FUND BALANCE AT BEGINNING OF YEAR	6,047,669	6,047,669	6,047,669	-	808,292	808,292	808,292	-
FUND BALANCE AT END OF YEAR	\$ 5,659,419	\$ 5,947,669	\$ 9,142,291	\$ 3,194,622	\$ 808,292	\$ 808,292	\$ 918,664	\$ 78,704

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

LEHI CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES					
	NONMAJOR ENTERPRISE FUNDS					
	CULINARY WATER	SEWER	PRESSURIZED IRRIGATION	ELECTRIC	DRAINAGE	TOTALS
ASSETS						
CURRENT ASSETS						
CASH AND CASH EQUIVALENTS	\$ 133,826	\$ 143,818	\$ 83,097	\$ 4,349,036	\$ 529,250	\$ 5,239,027
ACCOUNTS RECEIVABLE (NET)	162,098	248,663	125,597	1,780,380	52,520	2,540,158
INVENTORY	84,526	4,934	48,059	2,333,749	-	2,471,268
PREPAID ITEMS	-	-	-	-	-	-
TOTAL CURRENT ASSETS	380,450	397,415	256,753	8,463,165	581,770	10,250,453
NON-CURRENT ASSETS						
NOTE RECEIVABLE FROM REDEVELOPMENT AGENCY	568,090	-	-	-	-	568,090
NOTE RECEIVABLE - OTHER	-	-	-	-	-	-
SPECIAL ASSESSMENT RECEIVABLE	219,358	253,411	889,977	1,021,138	-	2,383,884
WORKING CAPITAL DEPOSIT WITH POWER SUPPLIER	-	-	-	-	-	-
INVESTMENT IN WATER STOCK AND RIGHTS, AT COST	1,181,162	-	1,518	-	-	1,182,680
BOND ISSUE COSTS (NET)	56,211	28,520	54,516	262,091	39,019	440,357
RESTRICTED CASH AND CASH EQUIVALENTS	1,223,973	1,102,096	1,303,177	6,639,137	221,826	10,490,209
NONDEPRECIABLE CAPITAL ASSETS	1,363,410	441,915	767,309	1,509,990	113,630	4,196,254
DEPRECIABLE CAPITAL ASSETS, NET	20,296,592	23,883,981	21,131,178	37,017,220	16,956,415	119,285,386
TOTAL NON-CURRENT ASSETS	24,908,796	25,709,923	24,147,675	46,449,576	17,330,890	138,546,860
TOTAL ASSETS	\$ 25,289,246	\$ 26,107,338	\$ 24,404,428	\$ 54,912,741	\$ 17,912,660	\$ 148,797,313

CONTINUED

LEHI CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

LIABILITIES	BUSINESS-TYPE ACTIVITIES						
	NONMAJOR ENTERPRISE FUNDS						TOTALS
	CULINARY WATER	SEWER	PRESSURIZED IRRIGATION	ELECTRIC	DRAINAGE	FUNDS	
CURRENT LIABILITIES							
DUE TO OTHER FUNDS	\$ 2,798,753	\$ 999,636	\$ -	\$ -	\$ -	\$ 278,358	\$ 4,076,747
ACCOUNTS PAYABLE	65,692	971,326	20,318	2,531,901	6,018	131,202	3,726,457
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	37,215	-	45,786	-	-	-	83,001
WAGES PAYABLE	14,519	8,245	4,713	54,305	-	-	81,782
ACCRUED LIABILITIES	-	-	-	-	-	-	-
ACCRUED INTEREST PAYABLE	15,667	3,229	16,354	33,341	3,191	-	71,782
DEFERRED REVENUE	594,839	1,283	590,860	267,695	-	-	1,454,677
CURRENT PORTION COMPENSATED ABSENCES	27,270	6,371	11,908	76,740	-	-	122,289
CURRENT MATURITIES OF LONG-TERM OBLIGATIONS	236,125	126,275	245,849	508,137	135,000	-	1,251,386
TOTAL CURRENT LIABILITIES	3,790,080	2,116,365	935,788	3,472,119	144,209	409,560	10,868,121
NON-CURRENT LIABILITIES							
CUSTOMER DEPOSITS	-	-	-	139,268	-	-	139,268
COMPENSATED ABSENCES	81,809	19,111	35,725	230,219	-	-	366,864
CAPITAL LEASES PAYABLE, LESS CURRENT MATURITIES	-	156,294	-	139,770	-	-	296,064
BONDS PAYABLE, LESS CURRENT MATURITIES	2,431,778	617,001	2,647,396	9,486,743	1,390,000	-	16,572,918
TOTAL NON-CURRENT LIABILITIES	2,513,587	792,406	2,683,121	9,996,000	1,390,000	-	17,375,114
TOTAL LIABILITIES	6,303,667	2,908,771	3,618,909	13,468,119	1,534,209	409,560	28,243,235
NET ASSETS							
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	19,048,310	23,454,846	19,059,758	34,580,758	15,584,064	-	111,727,736
RESTRICTED FOR CAPITAL PROJECTS	1,199,786	864,466	1,214,946	685,624	-	-	3,964,822
UNRESTRICTED	(1,262,517)	(1,120,745)	510,815	6,178,240	794,387	(238,660)	4,861,520
TOTAL NET ASSETS	18,985,579	23,198,567	20,785,519	41,444,622	16,378,451	(238,660)	120,554,078
TOTAL LIABILITIES AND NET ASSETS	\$ 25,289,246	\$ 26,107,338	\$ 24,404,428	\$ 54,912,741	\$ 17,912,660	\$ 170,900	\$ 148,797,313

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES						NONMAJOR ENTERPRISE FUNDS	TOTALS
	CULINARY WATER	SEWER	PRESSURIZED IRRIGATION	ELECTRIC	DRAINAGE			
OPERATING REVENUES (PLEGGED AS SECURITY FOR REVENUE BONDS)								
CHARGES FOR SERVICES	\$ 1,410,567	\$ 2,071,764	\$ 1,176,152	\$ 16,690,861	\$ 426,361	\$ 1,405,976	\$	23,181,681
HOOK-UP AND SERVICING FEES	576,360	-	149,167	189,282	-	-	-	914,809
ADMISSION AND LESSON FEES	-	-	-	-	-	-	-	-
CONCESSION AND RENTAL REVENUES	-	-	-	-	-	-	-	-
MISCELLANEOUS REVENUES	330,308	97,671	33,480	170,618	296,867	-	-	928,944
TOTAL OPERATING REVENUES	2,317,235	2,169,435	1,358,799	17,050,761	723,228	1,405,976	-	25,025,434
OPERATING EXPENSES								
PERSONNEL	175,588	281,056	202,019	1,555,923	-	-	-	2,214,586
GENERAL ADMINISTRATION	68,143	23,407	3,785	104,182	5,932	2,517	-	207,966
OPERATING AND MAINTENANCE	934,548	2,017,703	537,299	12,577,515	4,362	1,383,991	-	17,455,418
DEPRECIATION	594,698	512,783	519,437	1,504,804	336,516	-	-	3,468,238
TOTAL OPERATING EXPENSES	1,772,977	2,834,949	1,262,540	15,742,424	346,810	1,386,508	-	23,346,208
OPERATING INCOME (LOSS)	544,258	(665,514)	96,259	1,308,337	376,418	19,468	-	1,679,226
NON-OPERATING REVENUES (EXPENSES)								
INTERGOVERNMENTAL REVENUE	-	-	-	-	-	-	-	-
IMPACT FEE REVENUE (PLEGGED AS SECURITY FOR REVENUE BONDS)	1,520,614	802,143	1,805,517	3,832,868	-	-	-	7,961,142
INTEREST INCOME	27,248	32,504	67,651	192,065	9,125	-	-	328,593
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	-	-	-	-	-	-	-	-
INTEREST EXPENSE	(105,107)	(45,823)	(129,007)	(325,436)	(89,285)	-	-	(694,658)
AMORTIZATION OF BOND ISSUE COSTS	(5,480)	(5,007)	(5,338)	(19,443)	(4,878)	-	-	(40,146)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,437,275	783,817	1,738,823	3,680,054	(85,038)	-	-	7,554,931
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,981,533	118,303	1,835,082	4,988,391	291,380	19,468	-	9,234,157
CAPITAL CONTRIBUTIONS	2,313,534	4,880,286	3,144,494	4,643,335	3,730,360	(603,389)	-	18,108,620
TRANSFERS FROM OTHER FUNDS	-	-	-	-	-	122,484	-	122,484
TRANSFERS TO OTHER FUNDS	(164,500)	(143,000)	(137,500)	(240,000)	-	-	-	(685,000)
CHANGE IN NET ASSETS	4,130,567	4,855,589	4,842,076	9,391,726	4,021,740	(461,437)	-	26,780,261
NET ASSETS AT BEGINNING OF YEAR	14,855,012	18,342,978	15,943,443	32,052,896	12,356,711	222,777	-	93,773,817
NET ASSETS AT END OF YEAR	\$ 18,985,579	\$ 23,198,567	\$ 20,785,519	\$ 41,444,622	\$ 16,378,451	\$ (238,660)	\$	120,554,078

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES						NONMAJOR	
	CULINARY WATER	SEWER	PRESSURIZED IRRIGATION	ELECTRIC	DRAINAGE	FUNDS	ENTERPRISE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES								
CASH RECEIVED FROM CUSTOMERS	\$ 1,960,952	\$ 2,058,704	\$ 1,313,588	\$ 17,131,264	\$ 421,266	\$ 1,386,941	\$ 24,272,715	
CASH PAID TO SUPPLIERS	(909,798)	(1,601,618)	(525,218)	(12,340,418)	(8,403)	(1,373,030)	(16,758,485)	
CASH PAID TO EMPLOYEES	(156,971)	(275,956)	(194,066)	(1,494,882)	-	-	(2,121,875)	
RECEIPTS (PAYMENTS) FROM OTHER FUNDS	123,663	439,631	-	-	-	(93,911)	469,383	
OTHER RECEIPTS (PAYMENTS)	330,308	97,671	33,480	170,618	296,867	-	928,944	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,348,154	718,432	627,784	3,466,582	709,730	(80,000)	6,790,682	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
INTERGOVERNMENTAL REVENUE	-	-	-	-	-	-	-	
TRANSFERS IN	-	-	-	-	-	80,000	80,000	
TRANSFERS OUT	(164,500)	(143,000)	(137,500)	(240,000)	-	-	(685,000)	
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	(164,500)	(143,000)	(137,500)	(240,000)	-	80,000	(605,000)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(2,545,054)	(1,051,375)	(951,423)	(6,239,682)	(216,870)	-	(11,004,404)	
ACQUISITION OF WATER STOCK AND RIGHTS	-	-	-	-	-	-	-	
PAYMENTS RECEIVED ON SPECIAL ASSESSMENTS RECEIVABLE	20,267	23,413	82,222	94,340	-	-	220,242	
PROCEEDS FROM ISSUANCE OF BONDS	-	-	-	6,000,000	-	-	6,000,000	
PROCEEDS FROM CAPITAL LEASES	-	231,592	-	207,106	-	-	-	
CONTRIBUTIONS FROM DEVELOPERS	-	-	-	3,380,275	-	-	3,380,275	
PRINCIPAL PAID ON BONDS	(231,933)	(83,661)	(255,492)	(479,337)	(130,000)	-	(1,180,423)	
INTEREST PAID ON BONDS	(107,017)	(40,687)	(130,625)	(293,210)	(89,837)	-	(661,376)	
BOND ISSUED COSTS PAID	-	-	-	(195,065)	-	-	(195,065)	
PAYMENTS MADE ON CAPITAL LEASES	-	(31,558)	-	(58,200)	-	-	(89,758)	
INTEREST PAID ON CAPITAL LEASES	-	(7,381)	-	(8,278)	-	-	(15,659)	
PROCEEDS FROM SALE OF CAPITAL ASSETS	-	-	-	-	-	-	-	
IMPACT FEES COLLECTED	1,118,294	682,083	1,400,397	3,625,758	-	-	6,826,532	
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,745,443)	(277,574)	145,079	6,033,707	(436,707)	-	3,280,364	
CASH FLOWS FROM INVESTING ACTIVITIES								
ISSUANCE OF NOTES RECEIVABLE	(30,547)	-	-	-	-	-	(30,547)	
PAYMENTS RECEIVED ON NOTES RECEIVABLE	-	-	-	-	-	-	-	
INTEREST INCOME COLLECTED	27,248	32,504	67,651	192,065	9,125	-	328,593	
NET CASH PROVIDED BY INVESTING ACTIVITIES	(3,299)	32,504	67,651	192,065	9,125	-	298,046	

CONTINUED

LEHI CITY CORPORATION
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES					NONMAJOR	
	CULINARY WATER	SEWER	PRESSURIZED IRRIGATION	ELECTRIC	DRAINAGE	ENTERPRISE FUNDS	TOTALS
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(565,088)	330,362	703,014	9,452,354	282,148	-	10,202,790
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,922,887	915,552	683,260	1,535,819	468,928	-	5,526,446
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,357,799</u>	<u>\$ 1,245,914</u>	<u>\$ 1,386,274</u>	<u>\$ 10,988,173</u>	<u>\$ 751,076</u>	<u>\$ -</u>	<u>\$ 15,729,236</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSISTS OF:							
UNRESTRICTED CASH	\$ 133,826	\$ 143,818	\$ 83,097	\$ 4,349,036	\$ 529,250	\$ -	\$ 5,239,027
RESTRICTED CASH	1,223,973	1,102,096	1,303,177	6,639,137	221,826	-	10,490,209
	<u>\$ 1,357,799</u>	<u>\$ 1,245,914</u>	<u>\$ 1,386,274</u>	<u>\$ 10,988,173</u>	<u>\$ 751,076</u>	<u>\$ -</u>	<u>\$ 15,729,236</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES							
CONTRIBUTIONS OF CAPITAL ASSETS FROM DEVELOPERS	\$ 2,313,534	\$ 4,880,286	\$ 3,144,494	\$ 1,263,060	\$ -	\$ -	\$ 11,601,374
BOOK VALUE OF CAPITAL ASSETS TRANSFERRED OUT	-	-	-	-	-	(603,389)	(603,389)
NET OF RELATED DEBT TRANSFERS IN	-	-	-	-	-	42,484	42,484
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
OPERATING INCOME (LOSS)	\$ 544,258	\$ (665,514)	\$ 96,259	\$ 1,308,337	\$ 376,418	\$ 19,468	\$ 1,679,226
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
DEPRECIATION	594,698	512,783	519,437	1,504,804	336,516	-	3,468,238
CHANGES IN ASSETS AND LIABILITIES							
ACCOUNTS RECEIVABLE	(25,975)	(13,060)	(11,731)	222,207	(2,387)	(19,035)	150,019
INVENTORY	47,580	(419)	(4,424)	(152,346)	-	-	(109,609)
ACCOUNTS PAYABLE	41,455	433,352	16,675	459,544	(21,456)	13,478	943,048
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	-	-	-	-	-	-	-
ACCURED LIABILITIES	3,983	3,152	1,344	38,241	-	-	46,720
PREPAID ITEMS	3,858	6,559	3,615	16,825	-	-	63,247
COMPENSATED ABSENCES	14,634	1,948	6,609	40,056	-	-	28,914
CUSTOMER DEPOSITS	-	-	-	28,914	-	-	469,383
DUE TO OTHER FUNDS	123,663	439,631	-	-	-	(93,911)	-
DEFERRED REVENUE	-	-	-	-	-	-	-
	<u>\$ 1,348,154</u>	<u>\$ 718,432</u>	<u>\$ 627,784</u>	<u>\$ 3,466,582</u>	<u>\$ 689,091</u>	<u>\$ (80,000)</u>	<u>\$ 6,739,186</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lehi City Corporation (the City) was incorporated under the laws of the State of Utah in 1852 and operates under an elected Mayor-Council form of government. The City's major operations include police and fire protection, parks, library and recreation, public works, community development and general administrative services. In addition, the City owns and operates culinary water, pressurized irrigation, sewer, drainage, and power systems.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

These financial statements present the City (primary government) and its component units, organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Blended component units, although legal separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year end. The following entities are reported as blended component units:

The Lehi City Redevelopment Agency - The Lehi City Redevelopment Agency (RDA) serves all the citizens of the City and is governed by a board comprised of the City Council. In conformity with generally accepted accounting principles, the financial statements of the RDA have been included in the financial reporting entity as a special revenue fund and a debt service fund. Separate financial statements are not issued for the RDA.

The Lehi City Municipal Building Authority - The Lehi City Municipal Building Authority (MBA) was created to finance and construct municipal buildings, which are then leased to the City. The MBA is governed by a board comprised of the City Council. The MBA has been included in the financial reporting entity as a capital projects fund. Separate financial statements are not issued for the MBA.

The City's discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The following entity is reported as a discretely presented component unit:

The Hutchings Museum - The Hutchings Museum is a separate non-profit entity under its own articles of incorporation. The Lehi City Mayor and Council appoint and approve the Museum Board of Directors. The City has financial responsibility for the operations of the Museum. The assets and inventories of the Hutchings Museum are controlled and maintained by the Board. Separate financial statements are not issued for the Hutchings Museum.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks, library and recreation, streets, community development and general administrative services are classified as governmental activities. The City's culinary water, sewer, pressurized irrigation, electric, drainage, and garbage services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, community development, streets, etc.). The functions are also supported by general government revenues (property, sales and franchise taxes, impact fees, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales and franchise taxes, etc.).

The City does not allocate indirect expenses.

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate.

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund financial statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounting for in another fund.
- **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- **Debt service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- **Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type proprietary funds).

Proprietary Funds

The focus of proprietary fund measurement is upon the determination of net income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City's proprietary funds consist of:

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities category. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures, or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under this basis, revenues are recognized when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Cash and cash equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agents and short-term investments with original maturity of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, certain qualifying commercial paper, repurchase agreements and bankers' acceptances, and negotiable or nonnegotiable deposits of qualified depositories and the Utah Public Treasurers' Investment Fund.

Investments for the City are reported at fair value. The Utah Public Treasurers' Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted cash and cash equivalents

Certain restricted cash and cash equivalents are held by a fiscal agent for the redemption of bonded debt and for acquisition and construction of capital projects.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories

Inventories in the proprietary funds consist of materials used in the construction and repair of the transmission, distribution, collection, and treatment systems are valued at the lower of cost or market on a weighted average basis. Supplies inventories, consisting principally of office supplies, are valued at the lower of cost or market on a first-in, first-out basis. Transformers are valued at the lower of cost or market on a specific identification basis.

Capital assets

Capital assets, which include building and structures, improvements (including distributions systems and infrastructure), machinery, equipment, vehicles and office furniture, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets purchased or acquired with an original cost of \$5,000 or more. Capital assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on these assets is computed using the straight-line method over their estimated useful lives as follows:

	Years
Buildings and structures	10-50
Improvements, including distribution systems and other infrastructure	10-50
Machinery, equipment, and vehicles	5-15
Office furniture and equipment	10-50

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is reported in the year in which the resources are measurable and become available.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, matching requirements and expenditure requirements. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: intergovernmental revenue, sales and franchise taxes, charges for services, interest, and other fees.

Property taxes and special assessments are measurable and susceptible to accrual when they attach as an enforceable lien on the property. They become available when they are due. Amounts that are measurable but not available are recorded as deferred revenue. Property taxes become an enforceable lien on January 1 but are not due until November 30. Special assessments become an enforceable lien when assessed.

The City records utility revenues billed to its customers when meters are read at the end of each month. There are no unbilled accounts receivable at June 30, 2006. The accounts receivable for these revenues are reported net of the allowance for doubtful accounts (\$343,862 at June 30, 2006.)

Compensated Absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. Accumulated vacation cannot exceed 80 hours at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement, death, or termination, all unpaid accrued vacation is paid to the beneficiary. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid or at termination. The current portion is determined by the City to be the portion of vacation pay due employees who terminated prior to year-end. .

Accumulated sick leave is earned at a rate of one day per month. Employees may accumulate unlimited sick leave. Upon retirement, employees may elect to be paid 25% of outstanding sick pay or may have 75% of outstanding sick pay deposited into an annuity account for their benefit. Proprietary funds expense 75% of sick pay when it is earned by the employee. Governmental funds report an expenditure when the sick pay is paid. The current portion is the accrued sick pay for employees of governmental funds who terminated prior to year end.

The noncurrent portion of these amounts (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and, in the government-wide statement of activities, reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Fund Equity Reserves

Fund balance – in the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose.

Restricted net assets – in the government wide financial statements as well as the proprietary fund financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Bond issue costs

Bond issuance costs are capitalized and amortized over the terms of the respective bonds using a method which approximates the effective interest method.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgets and budgetary control

Annual budgets are prepared and adopted, in accordance with state law, by the Mayor and City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in several different funds, including the General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established by activity and purpose within an individual fund. Each department head is responsible to the Mayor and City Council for spending within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unrestricted General Fund balance until it exceeds 5% of the General Fund revenues. Until unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When unreserved fund balance is greater than 18% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held to increase total appropriations of any governmental fund. With the consent of the Finance Director, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgetary information included in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund and the Redevelopment Agency are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

NOTE B – DEPOSITS AND INVESTMENTS

The City's deposits and investing are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The Money Management Act requires deposits be in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE B – DEPOSITS AND INVESTMENTS - CONTINUED

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the City at June 30, 2006 were \$3,055,675, \$2,737,219 of which was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rate "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

The City's investments at June 30, 2006 are presented below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	\$22,234,353	\$22,234,353	\$ -	\$ -	\$ -
U.S. Treasuries	-	-	-	-	-
Money Market Fund	29,731	29,731			
Total	<u>\$22,264,084</u>	<u>\$22,264,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The City's policy for managing interest rate risk is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City follows the Money Management Act as previously discussed as its policy for reducing exposure to investment credit risk. The City's rated debt investments are presented below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	\$22,234,353	\$ -	\$ -	\$ -	\$22,234,353
U.S. Treasuries	-	-	-	-	-
Money Market Fund	29,731	29,731	-	-	-
Total	\$22,264,084	\$29,731	\$ -	\$ -	\$22,234,353

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

The City's investments at June 30, 2006 were with the Utah Public Treasurer's Investment Fund (\$22,234,353) and the Dreyfus Treasury Cash Management Money Market Fund (\$29,731) and therefore are not categorized as to custodial credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note C.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer.

The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies.

At June 30, 2006, the City did not have more than 5 percent of its investments in any single issuer other than the amounts invested with the Utah Public Treasurer's Investment Fund. The Utah Public Treasurer's Investment Fund is not categorized as to concentration of credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note C.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE C – EXTERNAL INVESTMENT POOL

The City invests in the Public Treasurer's Investment Fund (PTIF) which is an external investment pool administered by Utah State Public Treasurer. State agencies, municipalities, counties, and local governments within the State of Utah are allowed to invest in the PTIF. There is no required participation and no minimum balance or minimum/maximum transaction requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis. The participants' balance is their investment deposited in the PTIF plus their share of income, gains and losses, net of administration fees, which are allocated to each participant on the ratio of each participant's share to the total funds in the PTIF.

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security's fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price as of June 30, 2006) and then compare those values to come up with an agreed upon fair value of the securities.

As of June 30, 2006, the City had \$22,234,353 invested in the PTIF which had a fair value of \$22,227,238 for an unrealized loss of \$7,115. Due to the insignificance of this amount in relation to the funds affected by the unrealized loss, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment. The table below shows statistical information about the investment pool:

<u>Investment Type</u>	<u>Investment Percentage</u>
Corporate bonds and notes	65.46%
Money Markets and Certificates of deposit	4.82%
U.S. Government securities	29.72%
	<u>100.00%</u>

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE D – RESTRICTED ASSETS

The balances of the City's restricted asset accounts are as follows:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Sales tax bond construction accounts	\$ 505,111	\$ -	\$ 505,111	\$ -
Special assessment bonds and other future debt service	443,469	-	443,469	-
Unexpended impact fees	4,685,034	3,964,822	8,649,856	-
Revenue bond construction account	-	5,926,107	5,926,107	-
Revenue bond current debt service accounts	-	599,280	599,280	-
Component unit endowment account	-	-	-	7,500
	<u>\$5,633,614</u>	<u>\$10,490,209</u>	<u>\$16,123,823</u>	<u>\$7,500</u>

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 is as follows:

	July 1, 2005	Increases	Decreases	June 30, 2006
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 31,887,914	\$ 9,248,349	\$ -	\$ 41,136,263
Construction in progress	5,914,820	1,763,297	4,473,168	3,204,949
Total nondepreciable capital assets	<u>\$ 37,802,734</u>	<u>\$11,011,646</u>	<u>\$4,473,168</u>	<u>\$ 44,341,212</u>
Depreciable capital assets:				
Buildings	\$ 13,344,007	\$ 1,644,820	\$ -	\$ 14,988,827
Improvements, including infrastructure	98,081,577	20,377,796	-	118,459,373
Machinery, equipment and vehicles	7,731,794	1,305,282	-	9,037,076
Office furniture and equipment	908,888	167,060	-	1,075,948
Total depreciable capital assets at historical cost	<u>120,066,266</u>	<u>23,494,958</u>	<u>-</u>	<u>143,561,224</u>
Less accumulated depreciation:				
Buildings	1,686,664	1,135,158	-	2,821,822
Improvements, including infrastructure	13,365,711	3,364,977	-	16,730,688
Machinery, equipment and vehicles	4,248,715	1,060,488	-	5,309,203
Office furniture and equipment	600,930	111,292	-	712,222
Total accumulated depreciation	<u>19,902,020</u>	<u>5,671,915</u>	<u>-</u>	<u>25,573,935</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$100,164,246</u>	<u>\$ 17,823,043</u>	<u>\$ -</u>	<u>\$117,987,289</u>

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

Increase in accumulated depreciation detailed as follows:

Accumulated depreciation related
to assets transferred from
proprietary funds

\$1,024,877

Depreciation charged in
governmental activities:

General government

168,796

Public safety

360,303

Community development

46,262

Streets and highways

3,406,303

Parks, recreation and culture

623,780

Cemetery

41,594

4,647,038

Total

\$5,671,915

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS – CONTINUED

	July 1, 2005	Increases	Decreases	June 30, 2006
Business-type Activities:				
Nondepreciable capital assets:				
Land	\$ 1,816,482	\$ -	\$ 10,000	\$ 1,806,482
Construction in progress	47,653	2,499,903	157,784	2,389,772
Total nondepreciable capital assets	<u>\$ 1,864,135</u>	<u>\$ 2,499,903</u>	<u>\$ 167,784</u>	<u>\$4,196,254</u>
Depreciable capital assets:				
Buildings	\$ 2,262,765	\$ 5,629	\$1,135,108	\$ 1,133,286
Improvements, including distribution systems	113,234,525	23,329,800	-	136,564,325
Machinery, equipment and vehicles	4,050,095	628,590	553,328	4,125,357
Office furniture and equipment	162,357	30,000	23,425	168,932
Total depreciable capital assets at historical cost	<u>119,709,742</u>	<u>23,994,019</u>	<u>1,711,861</u>	<u>141,991,900</u>
Less accumulated depreciation:				
Buildings	435,941	38,353	100,359	373,935
Improvements, including distribution systems	17,278,174	3,148,783	569,670	19,857,287
Machinery, equipment and vehicles	2,393,012	267,466	334,043	2,326,435
Office furniture and equipment	156,026	13,636	20,805	148,857
Total accumulated depreciation	<u>20,263,153</u>	<u>3,468,238</u>	<u>1,024,877</u>	<u>22,706,514</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$99,446,589</u>	<u>\$20,525,781</u>	<u>\$ 686,984</u>	<u>\$119,285,386</u>
Depreciation was charged to functions as follows:				
Business-type activities:				
Culinary water			\$ 594,698	
Sewer			512,783	
Pressurized irrigation			519,437	
Electric			1,504,804	
Drainage			336,516	
			<u>\$3,468,238</u>	

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS – CONTINUED

	July 1, 2005	Increases	Decreases	June 30, 2006
Discretely Presented Component Unit:				
Nondepreciable capital assets:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Depreciable capital assets:				
Buildings	\$189,200	\$ -	\$ -	\$189,200
Improvements	303,887	6,495	-	310,382
Office furniture and equipment	72,194	-	-	72,194
Total depreciable capital assets at historical cost	565,281	6,495	-	571,776
Less accumulated depreciation:				
Buildings	61,503	4,766	-	66,269
Improvements	70,383	8,299	-	78,682
Office furniture and equipment	43,585	3,051	-	46,636
Total accumulated depreciation	175,471	16,116	-	191,587
Depreciable capital assets, net of accumulated depreciation	\$389,810	\$(9,621)	\$ -	\$380,189

NOTE F – CUSTOMER DEPOSITS

Business-type activity deposits are enterprise fund customer deposits the City requires from renters or businesses before they receive utility connection. The deposit is returnable when the residence is vacated by the renter, or the business has established a history of meeting its obligations to the City promptly.

NOTE G – LONG-TERM DEBT

Long-term debt consists of the following as of June 30, 2006:

Governmental activities

1999 Excise tax bonds	
\$2,500,000 excise tax term bonds due December 1, 2009 with interest at 3.6% to 4.45%	\$ 1,125,000
2003 Excise tax bonds	
\$3,130,000 excise tax term bonds due June 1, 2013 with interest at 2.5% to 3.2%	2,535,000
2003 Sales tax revenue bonds	
\$3,900,000 sales tax revenue term bonds due serially through June 1, 2024 with interest at 3.6% to 4.625%	3,900,000
2004 Sales tax revenue and refunding bonds	
\$8,345,000 sales tax revenue and refunding term bonds due serially through June 1, 2024 with interest at 2.25% to 5.0%	7,405,000

LEHI CITY CORPORATION**JUNE 30, 2006****NOTES TO BASIC FINANCIAL STATEMENTS****NOTE G – LONG-TERM DEBT – CONTINUED****Governmental activities - continued**

2001 Special assessment bonds	
59.2% of \$9,065,000 special assessment bonds due serially through 2016 with interest at 5.55%	3,461,254
2004 Subordinated sales tax revenue bonds	
\$9,000,000 authorized, \$5,251,200 issued through June 30, 2005 sales tax revenue bonds due in annual installments equal to 87.5% of the local sales and use tax and 100% of the transient room tax collected from the Cabela's Retail Store Project area, due in 2024	7,850,292
Capital lease obligations	
Payable in annual installments ranging from \$17,588 to \$60,605 including interest at 3.75% to 5.6%, maturing between 2006 and 2008	679,356
Tax increment note payable to developer	
Due in annual installments equal to 70% of the tax increment received by the RDA from the Alpine Highway Project, including interest at 6.5%, due in 2009	39,276,305
1996 Sewer revenue bonds	
63.5% of \$2,400,000 in sewer revenue bonds due serially through 2011 with interest rates ranging from 3.7% to 5.7%	755,650
Compensated absences	1,130,747
Landfill closure and postclosure care liability	96,055
Total governmental activities long-term debt	<u>\$68,214,659</u>

Business-type activities

1998 Electric refunding and revenue bonds	
\$4,785,000 electric refunding and revenue bonds due serially through 2018 with interest rates ranging from 3.0% to 4.5%	\$ 2,892,948
2005 Electric variable rate demand notes	
\$6,000,000 variable rate revenue bonds due serially through 2020 with interest rates estimated at 3.23%	\$ 6,000,000
2003 Water refunding bonds	
\$3,980,000 water revenue bonds due serially through 2020 with interest rates ranging from 2.5% to 3.9%	3,311,752
1999 Water refunding bonds	
\$1,740,000 water refunding bonds due serially through 2015 with interest at 3.25% to 4.9%	1,140,000
1996 Sewer revenue bonds	
36.5% of \$2,400,000 in sewer revenue bonds due serially through 2011 with interest rates ranging from 3.7% to 5.7%	446,124

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT – CONTINUED

Business-type activities - continued

2000 Drainage revenue bonds	
\$2,200,000 in drainage revenue bonds due serially through 2015 with interest rates ranging from 4.3% to 5.6%	1,525,000
2001 Special assessment bonds	
40.8% of \$9,065,000 special assessment bonds due serially through 2016 with interest at 5.55%	2,383,954
Capital lease obligations	
Payable in annual installments ranging from \$21,464 to \$51,956 including interest at 4.22% to 4.77%, maturing between 2006 and 2010	420,591
Compensated absences	489,152
Total business-type activities long-term debt	<u>\$18,609,521</u>

The following is a summary of the changes in governmental activities long-term debt for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts due in 2007
Governmental activities					
Bonds, notes and leases payable					
1999 Excise tax bonds	\$ 1,375,000	\$ -	\$ 250,000	\$ 1,125,000	\$ 265,000
2003 Excise tax bonds	2,740,000	-	205,000	2,535,000	210,000
2003 Sales tax revenue bonds	3,900,000	-	-	3,900,000	-
2004 Sales tax revenue and refunding bonds	7,885,000	-	480,000	7,405,000	500,000
Capital lease obligations	292,194	583,159	195,997	679,356	159,994
2004 Subordinated sales tax revenue bonds	5,251,200	2,599,092	-	7,850,292	230,000
Special assessment bonds	3,780,987	-	319,733	3,461,254	254,603
Tax increment note payable to developer	39,127,461	148,844	-	39,276,305	-
1996 Sewer revenue bonds*	860,425	-	104,775	755,650	175,000
Total bonds, notes and leases payable	<u>65,212,267</u>	<u>3,331,095</u>	<u>1,555,505</u>	<u>66,987,857</u>	<u>1,794,597</u>
Other liabilities:					
Compensated absences	1,005,594	1,017,672	892,519	1,130,747	848,060
Landfill closure and post- closure care liability	100,608	-	4,553	96,055	-
Total other liabilities	<u>1,106,202</u>	<u>1,017,672</u>	<u>897,072</u>	<u>1,226,802</u>	<u>848,060</u>
Governmental activities long-term debt	<u>\$66,318,469</u>	<u>\$ 4,348,767</u>	<u>\$2,452,577</u>	<u>\$68,214,659</u>	<u>\$2,642,657</u>

*63.5% of the 1996 Sewer Revenue bonds will be repaid by the RDA, with the remaining 36.5% payable by the Sewer Fund. Therefore, the bonds are segregated between governmental activities and business-type activities.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT - CONTINUED

For the governmental activities, compensated absences are generally liquidated by the general fund. Capital project funds predominantly provide debt service for the excise tax bonds, special assessment bonds and lease revenue bonds. The debt service for the note payable to developer and the RDA's portion of the 1996 sewer bonds is provided by the RDA.

As of June 30, 2006, annual debt service requirements of governmental activities to maturity are as follows:

Year ending June 30,	Excise Tax Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 475,000	\$118,919	\$111,125	\$ 37,944
2008	490,000	102,821	114,300	31,718
2009	505,000	85,038	120,650	25,375
2010	525,000	65,009	130,175	18,602
2011	540,000	51,100	136,525	11,401
2012-2013	1,125,000	53,300	142,875	3,858
	<u>\$3,660,000</u>	<u>\$476,187</u>	<u>\$755,650</u>	<u>\$128,898</u>

Year ending June 30,	Sales Tax Revenue Bonds	
	Principal	Interest
2007	\$ 500,000	\$ 444,203
2008	500,000	433,516
2009	515,000	420,819
2010	525,000	406,185
2011	550,000	389,072
2012-2016	2,850,000	1,629,608
2017-2021	3,410,000	995,536
2022-2024	2,455,000	181,115
	<u>\$11,305,000</u>	<u>\$4,900,054</u>

Year ending June 30,	Special Assessment Bonds	
	Principal	Interest
2007	\$ 254,603	\$ 196,677
2008	269,406	182,546
2009	290,129	167,594
2010	307,892	151,492
2011	328,616	148,534
2012-2014	1,213,805	311,691
2015-2016	796,803	83,304
	<u>\$3,461,254</u>	<u>\$1,241,838</u>

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT – CONTINUED

The following is a summary of the changes in business-type activities long-term debt for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts due in 2007
Business-type activities:					
Bonds, notes and leases payable					
1998 Electric refunding bonds	\$3,269,798	\$ -	\$ 376,850	\$2,892,948	\$ 90,000
2005 Electric revenue bonds	-	6,000,000	-	6,000,000	250,000
2003 Water refunding bonds	3,598,304	-	286,552	3,311,752	295,000
1999 Water refunding bonds	1,240,000	-	100,000	1,140,000	105,000
1996 Sewer revenue bonds*	508,311	-	62,187	446,124	63,875
2000 Drainage revenue bonds	1,655,000	-	130,000	1,525,000	135,000
2001 Special assessment bonds payable	2,604,125	-	220,171	2,383,954	187,985
Capital lease obligations	154,809	438,698	172,916	420,591	124,527
Total bonds, notes and leases payable	13,030,347	6,438,698	1,348,676	18,120,369	1,251,387
Compensated absences	436,342	405,996	353,186	489,152	122,288
Business-types activities long-term debt	<u>\$13,466,689</u>	<u>\$6,844,694</u>	<u>\$1,701,862</u>	<u>\$18,609,521</u>	<u>\$1,373,675</u>

As of June 30, 2006, annual debt service requirements of business-type activities to maturity are as follows:

Year ending June 30,	Electric Refunding Bonds		Water Refunding Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 90,000	\$ 139,365	\$ 400,000	\$ 159,019
2008	250,000	129,320	415,000	147,235
2009	270,000	118,945	430,000	133,952
2010	280,000	107,605	345,000	119,327
2011	290,000	95,565	355,000	107,178
2012-2016	1,340,000	277,350	1,715,000	328,568
2017-2020	430,000	31,200	770,000	76,095
	<u>2,950,000</u>	<u>899,350</u>	<u>4,430,000</u>	<u>1,071,374</u>
Plus unamortized premium (less unamortized loss on defeasance)	<u>(57,052)</u>	<u>57,052</u>	<u>21,752</u>	<u>(21,752)</u>
	<u>\$2,892,948</u>	<u>\$956,402</u>	<u>\$4,451,752</u>	<u>\$1,049,622</u>

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT – CONTINUED

Year ending June 30,	Sewer Revenue Bonds		Drainage Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 63,875	\$ 21,810	\$ 135,000	\$ 83,207
2008	65,700	18,232	145,000	76,255
2009	69,350	14,585	150,000	68,715
2010	74,825	10,693	160,000	60,840
2011	78,475	6,554	170,000	52,360
2012-2015	82,125	2,217	765,000	110,320
	434,350	74,091	1,525,000	451,697
Plus unamortized premium	11,774	(11,774)	-	-
	<u>\$446,124</u>	<u>\$62,317</u>	<u>\$1,525,000</u>	<u>\$451,697</u>

Year ending June 30,	Special Assessment Bonds		Electric Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 187,985	\$ 135,491	\$ 250,000	\$193,800
2008	185,595	125,756	265,000	185,716
2009	199,871	115,456	270,000	177,166
2010	212,108	104,363	280,000	168,444
2011	226,385	102,326	300,000	159,400
2012-2016	1,372,010	272,113	1,935,000	641,638
2017-2020	-	-	2,700,000	236,598
	<u>\$2,383,954</u>	<u>\$855,505</u>	<u>\$6,000,000</u>	<u>\$1,762,762</u>

The City issued \$9,065,000 of special assessment bonds in 2001 to provide funds for the construction of streets, electric, water and sewer infrastructure in new residential and commercial developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received.

The amortization of compensated absences, subordinated sales tax revenues bonds, and the tax increment note payable to developer have not been included in the above schedules due to the uncertainty of the timing of the payments.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT – CONTINUED

All outstanding revenue bonds are secured by a first lien on net revenues earned by the City. Net revenues are defined in the revenue bond agreements. The City is required to establish rates (including connection fees) sufficient to pay the operation and maintenance expenses and to provide net revenues in an amount not less than 125% of the aggregate annual debt service requirement for the forthcoming fiscal year. The following summarizes the debt service coverage calculations for the various revenue bonds:

	Electric Revenue Bonds	Water Revenue Bonds*	Drainage Revenue Bonds	Sewer Revenue Bonds
Net revenues				
Operating revenues	\$17,050,761	\$ 3,676,034	\$723,228	\$2,169,435
Operating expenses (excluding depreciation)	(14,237,620)	(1,921,382)	(10,294)	(2,322,166)
Impact fee revenues	3,832,868	3,326,131	-	1,520,614
Interest income	192,065	94,899	9,125	27,248
	6,838,074	5,175,682	722,059	1,395,131
Debt service funded in 2006 by the RDA on the sewer revenue bonds	-	-	-	148,844
Net revenues	<u>\$ 6,838,074</u>	<u>\$ 5,175,682</u>	<u>\$722,059</u>	<u>\$ 1,543,975</u>
Aggregate debt service for 2007	<u>\$ 673,165</u>	<u>\$ 559,019</u>	<u>218,207</u>	<u>\$ 234,754</u>
Ratio of net revenues to aggregate debt service	<u>10.15</u>	<u>9.25</u>	<u>3.30</u>	<u>6.57</u>
Minimum ratio	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>

*The net revenues calculation for the Water Revenue Bonds combines the related information from the Culinary Water Fund and the Pressurized Irrigation Fund.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT – CONTINUED

Prior Year Defeasance of Debt

In prior years, certain outstanding bonds were defeased by placing proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. At June 30, 2006 the following bonds are considered defeased:

	<u>Bond Series</u>	<u>Defeased Balance</u>
Governmental Activities:	2000 Lease Revenue Bonds	\$5,805,000
Business-type Activities:		
Electric fund	1994 Electric Revenue	\$1,000,000
Culinary Water and	1989 Water Revenue – Series B	325,812
Pressurized Irrigation	1989 Water Revenue – Series C	710,000
Funds		
Electric fund	1998 Electric Bonds	\$155,000

NOTE H – CAPITAL LEASES

The City has entered into certain capital lease agreements under which the related buildings and equipment will become the property of the City when the terms of the lease agreement are met.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	\$185,989	\$ 137,259
2008	169,263	100,356
2009	86,329	100,356
Thereafter	337,298	122,934
	778,879	460,905
Less amount representing interest	(99,523)	(40,314)
Present value of future minimum lease payments	<u>\$679,356</u>	<u>\$420,591</u>

Capital assets and related accumulated depreciation under capital lease are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Cost of capital assets	\$810,785	\$529,748
Accumulated depreciation	223,647	112,925

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE I - RETIREMENT PLANS

Plan Description - The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Contributory Retirement System, Firefighters Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Government Noncontributory Retirement System, the Public Safety Contributory Retirement System, and the Firefighters Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in the Local Governmental Noncontributory Retirement System the City is required to contribute 11.09% of their annual covered salary. In the Public Safety Contributory Retirement System, members are required to contribute 12.29% of their salary (all of which is paid by the City), and the City is required to pay 7.95% of members' annual salary. In the Public Safety Noncontributory Retirement System the City is required to contribute 19.34% of the members' annual covered salary. In the Firefighters Retirement System, members are required to contribute 8.61% of their annual covered salary (all of which is paid by the City), and the City is not required to contribute. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2006, 2005, and 2004 were \$0, \$475, and \$6,455, respectively; for the Noncontributory Retirement System the contributions for June 30, 2006, 2005, and 2004 were \$528,991, \$429,206, and \$357,107, respectively; and for the Public Safety Contributory Retirement System, the contributions for the years ended June 30, 2006, 2005, and 2004, were \$279,704, \$180,213, and \$233,293, respectively; and for the Public Safety Noncontributory Retirement System, the contributions for the years ended June 30, 2006, 2005, and 2004 were \$94,102, \$46,566, and \$23,930, respectively. For the Firefighters Retirement System, the contributions for the years ended June 30, 2006, 2005, and 2004 were \$17,956, \$9,290, and \$9,077, respectively. The contributions were equal to the required contributions for each year.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE J - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by ICMA under the Internal Revenue Code Section 401(k) for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City's total payroll in the fiscal year ended June 30, 2006, was approximately \$9,509,343. Of that amount, approximately \$8,632,00 was eligible to participate in the plan. The City participates at rates between 0% and 2.68% depending on the employees' contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2006, contributions totaling \$132,223 were made to the plan by employees and \$270,833 by the City.

NOTE K - COMMITMENTS AND CONTINGENCIES

The City has entered into a contract expiring in 2027 with the Intermountain Power Agency (IPA) for the purchase of power. Under the terms of the agreement, the City is liable for an agreed-upon purchase amount of approximately .43% of production regardless of whether it is used. The City has also entered into an excess power sales agreement whereby all power purchased from IPA in excess of the City's need, will be sold to a group of California cities, thus relieving the City's excess power purchase liability.

The City is a member of Utah Associated Municipal Power System (UAMPS), a political subdivision of the State of Utah created to secure electric power for the members of UAMPS. As a member, the City has entered into power supply agreements with respect to various projects in which UAMPS participates. The total cost of the power the City will be required to purchase in future years is not determinable, however, at a minimum, in connection with these power supply agreements, the City will be required to fund debt service on the UAMPS bonds which, at June 30, 2006, had an outstanding balance of \$17,693,068. During the year ended June 30, 2006, the City purchased power totaling approximately \$11.9 million.

There are several pending lawsuits in which the City is involved. The City management estimates the potential claims against the City resulting from such litigation not covered by insurance would not materially affect the financial position of the City.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE L – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all of these risks of loss except natural disasters. There were no decreases in coverage during 2003. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Claims information for the past two years is as follows:

	2006	2005
Claims liability, July 1	\$ 121,703	\$ 22,107
Claims incurred during the year and changes in estimates	255,102	244,760
Payments on claims during the year		
Payments made by insurance	326,161	114,341
Coinsurance and deductible insurance payments made by the City	27,097	30,823
Claims liability, June 30,	<u>\$23,547</u>	<u>\$121,703</u>

NOTE M - INTERFUND RECEIVABLES AND PAYABLES

Individual fund receivables and payables at June 30, 2006, are as follows:

Due To Other Funds	Due From Other Funds	Amount
Major enterprise funds:		
Culinary Water Fund	General Fund	\$2,798,753
Sewer Fund	General Fund	999,636
Nonmajor enterprise funds	General Fund	278,358
Major governmental fund:		
Special Revenue		
Redevelopment Agency	Culinary Water Fund	568,090
		<u>\$4,644,837</u>

The interfund receivables/payables are related to operating funds temporarily loaned from the general fund to various enterprise funds. The water fund has loaned money to the redevelopment agency to cover administrative costs where tax increment has been insufficient to cover such costs.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE N - INTERFUND TRANSFERS

A summary of interfund transfers by fund is as follows:

	<u>In</u>	<u>Out</u>
Major Funds:		
General Fund	\$ 749,945	\$ 1,058,640
Capital Projects Fund Streets	800,000	529,555
Redevelopment Agency	-	1,375,375
Culinary Water Fund	-	164,500
Sewer Fund	-	143,000
Pressurized Irrigation Fund	-	137,500
Electric Fund	-	240,000
Nonmajor governmental funds	1,976,141	-
Nonmajor enterprise funds	122,484	-
	<u>\$3,648,570</u>	<u>\$3,648,570</u>

NOTE O - DEFICIT NET ASSETS

The Garbage Fund (a nonmajor enterprise fund) continues to operate in a deficit situation. The Garbage Fund had a net asset deficit of \$238,660 at June 30, 2006.

NOTE P - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City has issued revenue bonds to finance certain improvements to its culinary water distribution system, its sewer system, its pressurized irrigation system, its electric power distribution system and its drainage system. Because each of these activities is accounted for in separate funds and all of those funds are reported as major funds in the fund financial statements, segment disclosures herein are not required.

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE Q - REDEVELOPMENT AGENCY OF THE CITY OF LEHI

The Lehi City Redevelopment Agency was created in 1985 to increase and develop the commercial growth in the southeast area of the City, known as the Millpond Project Area. Redevelopment activity did not begin until 1996, when the first tax increment was generated.

In 1994, Micron Technologies, Inc., a computer chip manufacturer, approached the City for tax incentives to construct a manufacturing facility in Utah. This project, which became a component of the Redevelopment Agency of the City, is known as the Alpine Highway Project Area. Infrastructure improvements on and off site have been made over the last two years. In 1998, the tax increment related to this project was triggered and received by the Redevelopment Agency and was used for debt service.

For the year ended June 30, 2006, the following activity occurred in the City's Redevelopment Agency:

Tax increment collected from other taxing agencies for the project area	
Millpond Project Area	\$ 120,712
Alpine Highway Project Area	1,545,123
	<u>\$ 1,665,835</u>
Outstanding loans to finance RDA projects	<u>\$40,031,955</u>
Amounts expended for the acquisition of property	\$ -
Tax increments paid to other taxing agencies	118,592
Amounts expended for site improvements and preparation costs	-
Amounts expended for administrative costs	<u>230,574</u>
	<u>\$ 349,166</u>
Amounts expended for installation of public utilities and other public improvements	<u>\$ -</u>

LEHI CITY CORPORATION

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE R – LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expenditure in the General fund in each period based on landfill capacity used as of each balance sheet date. The landfill closure and postclosure care liability at June 30, 2006, and the expenditure recognized for the year then ended were calculated as follows based on the cumulative use of 70% of the estimated capacity of the landfill:

Total estimated closure and postclosure care costs	\$227,680
Capacity used as of June 30, 2006	70%
Cumulative closure and postclosure care liability	159,376
Amounts previously recognized	157,099
Amount to be recognized as of June 30, 2006	\$ 2,277
Amount recorded as an expenditure in the General Fund for the year ended June 30, 2006	\$ 2,277
Amount recorded as an accrued liability in the General Fund as of June 30, 2006	\$ 63,321
Amount reported as a long-term liability in the governmental activities statement of net assets	96,055
	<u>\$159,376</u>

The total estimated closure and postclosure care costs are based on estimates of what it would cost to perform all closure and postclosure care in 2006. The City expects the landfill to close in the year 2091 after reaching its total estimated capacity of 230,000 cubic yards. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required to establish financial assurance in accordance with the State of Utah Department of Environmental Quality, Division of Solid and Hazardous Waste Administrative Rules. The City must submit an annual report in which certain financial information is provided to the State indicating that the City meets the minimum financial requirements outlined in the aforementioned rules.

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COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Lehi Community Foundation – This fund is used to account for private donations that are restricted for specified projects.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Capital Projects MBA Fund – This fund is used to account for the construction of various facilities including the City's recreation center and library.

Debt Service Funds

Debt service funds are used to account for long-term principal and interest obligations of the General and Special Revenue Funds.

General Debt Service Fund – This fund is used to account for the accumulation of funds restricted for debt service and for the payment of that debt service.

Redevelopment Agency Debt Service Fund – This fund is used to account for the accumulation of funds for debt service on debt issued to finance redevelopment projects.

LEHI CITY CORPORATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	REDEVELOP- MENT				TOTAL NONMAJOR GOVERNMENTAL FUNDS
	GENERAL DEBT SERVICE	AGENCY DEBT SERVICE	CAPITAL PROJECTS MBA	LEHI COMMUNITY FOUNDATION	
ASSETS					
CASH AND INVESTMENTS	\$ 398,620	\$ -	\$ 31,447	\$ 104,805	\$ 534,872
TAXES RECEIVABLE	-	-	-	-	-
DUE FROM OTHER FUNDS	-	-	-	-	-
RESTRICTED CASH AND INVESTMENTS	1,026	-	-	-	1,026
TOTAL ASSETS	<u>\$ 399,646</u>	<u>\$ -</u>	<u>\$ 31,447</u>	<u>\$ 104,805</u>	<u>\$ 535,898</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
ACCOUNTS PAYABLE	\$ -	\$ -	\$ -	\$ 4,788	\$ 4,788
DUE TO OTHER FUNDS	-	-	-	-	-
DEFERRED REVENUE	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,788</u>	<u>4,788</u>
FUND BALANCE					
RESERVED FOR CAPITAL IMPROVEMENTS	-	-	-	-	-
RESERVED FOR DEBT SERVICE	1,026	-	-	-	1,026
UNRESERVED	398,620	-	31,447	100,017	530,084
TOTAL FUND BALANCE	<u>399,646</u>	<u>-</u>	<u>31,447</u>	<u>100,017</u>	<u>531,110</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 399,646</u>	<u>\$ -</u>	<u>\$ 31,447</u>	<u>\$ 104,805</u>	<u>\$ 535,898</u>

LEHI CITY CORPORATION
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL DEBT SERVICE	REDEVELOP- MENT AGENCY DEBT SERVICE	CAPITAL PROJECTS MBA	SPECIAL REVENUE LEHI COMMUNITY FOUNDATION	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES					
TAXES	\$ 1,484,000	\$ -	\$ -	\$ -	\$ 1,484,000
INTERGOVERNMENTAL REVENUE	589,901	-	-	-	589,901
MISCELLANEOUS	-	-	-	55,734	55,734
TOTAL REVENUES	2,073,901	-	-	55,734	2,129,635
EXPENDITURES					
CURRENT					
COMMUNITY DEVELOPMENT			-	46,886	46,886
OTHER	-	-	47	-	47
DEBT SERVICE					
PRINCIPAL	1,450,731	104,775	-	-	1,555,506
INTEREST AND FISCAL CHARGES	1,056,925	1,125,655	-	-	2,182,580
TOTAL EXPENDITURES	2,507,656	1,230,430	47	46,886	3,785,019
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(433,755)	(1,230,430)	(47)	8,848	(1,655,384)
OTHER FINANCING SOURCES (USES)					
ISSUANCE OF BONDS AND NOTES	-	-	-	-	-
TRANSFERS IN	745,711	1,230,430	-	-	1,976,141
TRANSFERS OUT	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	745,711	1,230,430	-	-	1,976,141
NET CHANGE IN FUND BALANCE	311,956	-	(47)	8,848	320,757
FUND BALANCE AT BEGINNING OF YEAR	87,690	-	31,494	91,169	210,353
FUND BALANCE AT END OF YEAR	\$ 399,646	\$ -	\$ 31,447	\$ 100,017	\$ 531,110

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**INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL**

**CAPITAL PROJECTS, SPECIAL REVENUE
AND DEBT SERVICE FUNDS**

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
SPECIAL ASSESSMENT REVENUE	\$ 537,000	\$ 537,000	\$ 451,914	\$ (85,086)
MISCELLANEOUS REVENUE				
INTEREST ON INVESTMENTS	10,000	85,000	88,827	3,827
TOTAL REVENUES	<u>547,000</u>	<u>622,000</u>	<u>540,741</u>	<u>(81,259)</u>
EXPENDITURES				
CURRENT				
OTHER	102,500	256,000	292,001	(36,001)
CAPITAL OUTLAY	3,200,000	6,085,000	4,576,083	1,508,917
TOTAL EXPENDITURES	<u>3,302,500</u>	<u>6,341,000</u>	<u>4,868,084</u>	<u>1,472,916</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(2,755,500)</u>	<u>(5,719,000)</u>	<u>(4,327,343)</u>	<u>1,391,657</u>
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	-	800,000	800,000	-
TRANSFERS OUT	(537,000)	(537,000)	(529,555)	7,445
ISSUANCE OF BONDS	2,900,000	5,725,000	2,599,092	(3,125,908)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,363,000</u>	<u>5,988,000</u>	<u>2,869,537</u>	<u>(3,118,463)</u>
NET CHANGE IN FUND BALANCE	<u>(392,500)</u>	<u>269,000</u>	<u>(1,457,806)</u>	<u>(1,726,806)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>2,810,393</u>	<u>2,810,393</u>	<u>2,810,393</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,417,893</u>	<u>\$ 3,079,393</u>	<u>\$ 1,352,587</u>	<u>\$ (1,726,806)</u>

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS MBA FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
MISCELLANEOUS REVENUE				
INTEREST ON INVESTMENTS	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
CURRENT				
OTHER	-	-	47	(47)
CAPITAL OUTLAY	-	-	-	-
DEBT SERVICE				
PRINCIPAL	-	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>47</u>	<u>(47)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(47)</u>	<u>(47)</u>
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	-	-	-	-
TRANSFERS OUT	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	(47)	(47)
FUND BALANCE AT BEGINNING OF YEAF	31,494	31,494	31,494	-
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 31,494</u>	<u>\$31,494</u>	<u>\$ 31,447</u>	<u>\$ (47)</u>

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
TAXES	\$ 1,484,000	\$ 1,484,000	\$ 1,484,000	\$ -
INTERGOVERNMENTAL REVENUES	590,000	590,000	589,902	(98)
TOTAL REVENUES	2,074,000	2,074,000	2,073,902	(98)
EXPENDITURES				
DEBT SERVICE				
PRINCIPAL	1,038,600	1,038,600	1,454,968	(416,368)
INTEREST AND FISCAL CHARGES	1,768,900	1,768,900	1,052,688	716,212
TOTAL EXPENDITURES	2,807,500	2,807,500	2,507,656	299,844
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(733,500)	(733,500)	(433,754)	299,746
OTHER FINANCING SOURCES				
TRANSFERS IN	733,500	733,500	745,710	12,210
TOTAL OTHER FINANCING SOURCES	733,500	733,500	745,710	12,210
NET CHANGE IN FUND BALANCE	-	-	311,956	311,956
FUND BALANCE AT BEGINNING OF YEAR	87,690	87,690	87,690	-
FUND BALANCE AT END OF YEAR	\$ 87,690	\$ 87,690	\$ 399,646	\$ 311,956

LEHI CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
TAXES				
PROPERTY TAX REVENUE	\$ 2,000,000	\$ 1,670,000	\$ 1,665,835	\$ (4,165)
MISCELLANEOUS REVENUE				
INTEREST ON INVESTMENTS	15,000	15,000	20,234	5,234
TOTAL REVENUES	<u>2,015,000</u>	<u>1,685,000</u>	<u>1,686,069</u>	<u>1,069</u>
EXPENDITURES				
REDEVELOPMENT				
PERSONNEL	202,000	202,000	202,000	-
GENERAL ADMINISTRATIVE	8,000	14,000	13,648	352
PROFESSIONAL SERVICES	5,000	30,000	14,926	15,074
CONTRIBUTION TO LOCAL GOVERNMENTS	180,000	119,000	118,592	408
TOTAL EXPENDITURES	<u>395,000</u>	<u>365,000</u>	<u>349,166</u>	<u>15,834</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,620,000</u>	<u>1,320,000</u>	<u>1,336,903</u>	<u>(14,765)</u>
OTHER FINANCING SOURCES (USES)				
ISSUANCE OF NOTES	148,800	148,800	148,844	44
TRANSFERS OUT	(1,768,800)	(1,468,800)	(1,375,375)	93,425
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,620,000)</u>	<u>(1,320,000)</u>	<u>(1,226,531)</u>	<u>93,469</u>
NET CHANGE IN FUND BALANCE	-	-	110,372	78,704
FUND BALANCE AT BEGINNING OF YEAR	<u>808,292</u>	<u>808,292</u>	<u>808,292</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 808,292</u>	<u>\$ 808,292</u>	<u>\$ 918,664</u>	<u>\$ 78,704</u>

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SUPPLEMENTARY INDIVIDUAL FUND SCHEDULE

General Fund

This supplementary schedule is included to provide management with additional information for financial analysis.

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
TAXES				
PROPERTY TAXES	\$ 3,131,000	\$ 3,156,000	\$ 3,287,562	\$ 131,562
IN LIEU OF	411,000	420,000	503,721	83,721
GENERAL SALES TAX	1,995,000	1,900,000	2,462,940	562,940
FRANCHISE TAX	1,560,300	1,830,000	2,186,681	356,681
TOTALS	7,097,300	7,306,000	8,440,904	1,134,904
LICENSES, FEES AND PERMITS				
BUSINESS AND ANIMAL LICENSES	43,000	47,000	52,135	5,135
BUILDING PERMITS	1,250,000	2,300,000	2,888,117	588,117
IMPACT FEES	1,667,000	3,500,000	3,962,959	462,959
TOTALS	2,960,000	5,847,000	6,903,211	1,056,211
INTERGOVERNMENTAL REVENUE				
CLASS "C" ROAD FUNDS	400,000	400,000	429,525	29,525
FIRE DEPARTMENT GRANT	20,000	90,000	86,047	(3,953)
STATE LIQUOR FUNDS ALLOTMENT	19,000	19,000	18,843	(157)
STATE PARK GRANT	-	68,000	67,060	(940)
COUNTY FIRE ALLOCATION	30,000	40,000	38,391	(1,609)
OTHER GRANTS	168,000	128,000	109,202	(18,798)
TOTALS	637,000	745,000	749,068	4,068
CHARGES FOR SERVICE				
PLANNING/INSPECTION FEES	1,119,000	1,756,000	1,799,193	43,193
AMBULANCE FEES	-	225,000	279,386	54,386
FIRE FEES	325,000	85,000	12,990	(72,010)
CEMETERY FEES	75,000	100,000	113,897	13,897
RECREATION FEES	1,413,500	2,082,500	2,318,185	235,685
OTHER SERVICE REVENUE	70,000	72,000	64,304	(7,696)
TOTALS	3,002,500	4,320,500	4,587,955	267,455
FINES AND FORFEITURES				
COURTS FINES AND FORFEITURES	1,052,000	1,102,000	1,219,282	117,282
MISCELLANEOUS REVENUE				
INTEREST ON INVESTMENTS	140,000	420,000	457,352	37,352
MISCELLANEOUS	335,000	869,500	922,616	53,116
TOTALS	475,000	1,289,500	1,379,968	90,468
TOTAL REVENUES				2,670,388
EXPENDITURES				
GENERAL GOVERNMENT				
COURT				
PERSONNEL	274,000	292,000	307,410	(15,410)
OPERATIONS AND MAINTENANCE	420,800	452,800	448,954	3,846
CAPITAL	42,200	40,000	27,774	12,226
TOTAL	737,000	784,800	784,138	662
ADMINISTRATIVE				
PERSONNEL	362,500	478,500	490,744	(12,244)
OPERATIONS AND MAINTENANCE	281,500	392,000	390,581	1,419
CAPITAL	34,000	44,000	31,252	12,748
TOTAL	678,000	914,500	912,577	1,923
TREASURY				
PERSONNEL	277,000	292,000	296,203	(4,203)
OPERATIONS AND MAINTENANCE	73,300	131,300	133,503	(2,203)
CAPITAL	10,100	11,000	4,199	6,801
TOTAL	360,400	434,300	433,905	395

CONTINUED

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FINANCE				
PERSONNEL	197,500	215,000	228,492	(13,492)
OPERATIONS AND MAINTENANCE	84,200	91,700	80,035	11,665
CAPITAL	4,500	6,000	2,345	3,655
TOTAL	286,200	312,700	310,872	1,828
LEGISLATIVE				
PERSONNEL	98,500	132,000	119,565	12,435
OPERATIONS AND MAINTENANCE	41,000	71,000	83,044	(12,044)
CAPITAL	-	-	-	-
TOTAL	139,500	203,000	202,609	391
FACILITIES MAINTENANCE				
PERSONNEL	105,700	126,500	128,989	(2,489)
OPERATIONS AND MAINTENANCE	50,700	97,300	90,159	7,141
CAPITAL	15,000	967,000	962,836	4,164
TOTAL	171,400	1,190,800	1,181,984	8,816
TOTAL GENERAL GOVERNMENT	2,372,500	3,840,100	3,826,085	14,015
PUBLIC SAFETY				
POLICE				
PERSONNEL	2,700,000	3,310,000	3,336,935	(26,935)
OPERATIONS AND MAINTENANCE	489,000	570,500	563,648	6,852
CAPITAL	311,500	311,500	289,200	22,300
TOTAL	3,500,500	4,192,000	4,189,783	2,217
FIRE				
PERSONNEL	612,000	800,000	802,488	(2,488)
OPERATIONS AND MAINTENANCE	324,100	361,100	241,854	119,246
CAPITAL	101,000	101,000	99,645	1,355
TOTAL	1,037,100	1,262,100	1,143,987	118,113
ANIMAL CONTROL				
PERSONNEL	-	-	-	-
OPERATIONS AND MAINTENANCE	81,000	84,000	75,650	8,350
CAPITAL	24,500	24,500	15,316	9,184
TOTAL	105,500	108,500	90,966	17,534
TOTAL PUBLIC SAFETY	4,643,100	5,562,600	5,424,736	137,864
COMMUNITY DEVELOPMENT				
PUBLIC WORKS ADMINISTRATION				
PERSONNEL	352,500	430,000	439,857	(9,857)
OPERATIONS AND MAINTENANCE	48,000	56,000	48,761	7,239
CAPITAL	51,500	51,500	45,448	6,052
TOTAL	452,000	537,500	534,066	3,434
PLANNING AND ZONING				
PERSONNEL	387,000	402,500	408,772	(6,272)
OPERATIONS AND MAINTENANCE	116,600	134,400	135,398	(998)
CAPITAL	24,000	24,000	4,001	19,999
TOTAL	527,600	560,900	548,171	12,729
INSPECTIONS				
PERSONNEL	587,000	648,000	653,340	(5,340)
OPERATIONS AND MAINTENANCE	213,900	411,000	311,787	99,213
CAPITAL	27,000	45,000	49,917	(4,917)
TOTAL	827,900	1,104,000	1,015,044	88,956
TOTAL COMMUNITY DEVELOPMENT	1,807,500	2,202,400	2,097,281	105,119

CONTINUED

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
STREETS AND HIGHWAYS				
STREETS AND PUBLIC IMPROVEMENTS				
PERSONNEL	659,500	740,000	761,870	(21,870)
OPERATIONS AND MAINTENANCE	607,900	783,200	775,400	7,800
CAPITAL	1,411,800	1,623,300	1,412,727	210,573
TOTAL	2,679,200	3,146,500	2,949,997	196,503
PARKS, RECREATION AND CULTURE				
PARKS				
PERSONNEL	425,500	453,500	477,155	(23,655)
OPERATIONS AND MAINTENANCE	232,100	306,900	298,625	8,275
CAPITAL	693,400	993,400	915,107	78,293
TOTAL	1,351,000	1,753,800	1,690,887	62,913
COMMUNITY ARTS AND EVENTS				
PERSONNEL	-	-	-	-
OPERATIONS AND MAINTENANCE	94,250	157,800	142,060	15,740
CAPITAL	25,000	80,000	93,934	(13,934)
TOTAL	119,250	237,800	235,994	1,806
SENIOR CITIZENS				
PERSONNEL	93,000	94,000	95,218	(1,218)
OPERATIONS AND MAINTENANCE	46,000	46,000	51,140	(5,140)
CAPITAL	12,000	12,000	3,618	8,382
TOTAL	151,000	152,000	149,976	2,024
RECREATION				
PERSONNEL	1,026,000	1,393,500	1,407,621	(14,121)
OPERATIONS AND MAINTENANCE	794,600	1,124,300	1,046,661	77,639
CAPITAL	145,800	225,800	175,283	50,517
TOTAL	1,966,400	2,743,600	2,629,565	114,035
LIBRARY				
PERSONNEL	467,000	452,500	452,540	(40)
OPERATIONS AND MAINTENANCE	211,500	353,000	341,802	11,198
CAPITAL	67,100	128,200	138,820	(10,620)
TOTAL	745,600	933,700	933,162	538
TOTAL PARKS, RECREATION AND CULTURE	4,333,250	5,820,900	5,639,584	181,316
CEMETERY				
PERSONNEL	228,300	247,500	252,044	(4,544)
OPERATIONS AND MAINTENANCE	62,700	70,000	54,241	15,759
CAPITAL	110,500	165,000	174,342	(9,342)
TOTAL	401,500	482,500	480,627	1,873
TOTAL EXPENDITURES	16,237,050	21,055,000	20,418,310	636,690
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,013,250)	(445,000)	2,862,078	3,307,078
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	605,000	605,000	749,945	144,945
TRANSFERS OUT	-	(800,000)	(1,058,640)	(258,640)
CAPITAL LEASES	-	500,000	500,000	-
SALE OF CAPITAL ASSETS	20,000	40,000	41,239	1,239
TOTAL OTHER FINANCING SOURCES	625,000	345,000	232,544	(112,456)
NET CHANGE IN FUND BALANCE	(388,250)	(100,000)	3,094,622	3,194,622
FUND BALANCE AT BEGINNING OF YEAR	6,047,669	6,047,669	6,047,669	-
FUND BALANCE AT END OF YEAR	\$ 5,659,419	\$ 5,947,669	\$ 9,142,291	\$ 3,194,622

COMBINING FINANCIAL STATEMENTS

NONMAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

Swimming Pool – To account for operating and capital activities of the recreational service. As of the beginning of this fiscal year, the operations of the swimming pool fund were moved to the general fund.

Garbage– To account for the provisions of the garbage services to the residents of the City. These funds account for all activities necessary to provide such services including, but not limited to, administration, operations maintenance and billing, and collections.

Ambulance – To account for the financial activities of the health services of the City. As of the beginning of this fiscal year, the operations of the ambulance fund were moved to the general fund.

LEHI CITY CORPORATION
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES			
	SWIMMING POOL	GARBAGE	AMBULANCE	TOTALS
ASSETS				
CURRENT ASSETS				
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -
ACCOUNTS RECEIVABLE (NET)	-	170,900	-	170,900
TOTAL CURRENT ASSETS	<u>-</u>	<u>170,900</u>	<u>-</u>	<u>170,900</u>
NON-CURRENT ASSETS				
RESTRICTED CASH AND CASH EQUIVALENTS	-	-	-	-
NON-DEPRECIABLE CAPITAL ASSETS	-	-	-	-
DEPRECIABLE CAPITAL ASSETS, NET	-	-	-	-
TOTAL NON-CURRENT ASSETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 170,900</u>	<u>\$ -</u>	<u>\$ 170,900</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES				
DUE TO OTHER FUNDS	\$ -	\$ 278,358	\$ -	\$ 278,358
ACCOUNTS PAYABLE	-	131,202	-	131,202
WAGES PAYABLE	-	-	-	-
CURRENT PORTION COMPENSATED ABSENCES	-	-	-	-
CURRENT MATURITIES OF LONG-TERM OBLIGATIONS	-	-	-	-
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>409,560</u>	<u>-</u>	<u>409,560</u>
NON-CURRENT LIABILITIES				
COMPENSATED ABSENCES	-	-	-	-
CAPITAL LEASES PAYABLE, LESS CURRENT MATURITIES	-	-	-	-
TOTAL NON-CURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>409,560</u>	<u>-</u>	<u>409,560</u>
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	-	-	-	-
UNRESERVED	-	(238,660)	-	(238,660)
TOTAL NET ASSETS	<u>-</u>	<u>(238,660)</u>	<u>-</u>	<u>(238,660)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ -</u>	<u>\$ 170,900</u>	<u>\$ -</u>	<u>\$ 170,900</u>

LEHI CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES			
	SWIMMING POOL	GARBAGE	AMBULANCE	TOTALS
OPERATING REVENUES				
CHARGES FOR SERVICES	\$ -	\$ 1,405,976	\$ -	\$ 1,405,976
MISCELLANEOUS REVENUES	-	-	-	-
TOTAL OPERATING REVENUES	-	1,405,976	-	1,405,976
OPERATING EXPENSES				
PERSONNEL	-	-	-	-
GENERAL ADMINISTRATION	-	2,517	-	2,517
OPERATING AND MAINTENANCE	-	1,383,991	-	1,383,991
DEPRECIATION	-	-	-	-
TOTAL OPERATING EXPENSES	-	1,386,508	-	1,386,508
OPERATING INCOME (LOSS)	-	19,468	-	19,468
NON-OPERATING REVENUES (EXPENSES)				
INTERGOVERNMENTAL REVENUE	-	-	-	-
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	-	-	-	-
INTEREST EXPENSE	-	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	-	-	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	-	19,468	-	19,468
CONTRIBUTION OF CAPITAL ASSETS NET OF RELATED DEBT	(495,048)	-	(108,341)	(603,389)
TRANSFERS IN	20,712	80,000	21,772	122,484
TRANSFERS OUT	-	-	-	-
TOTAL TRANSFERS IN (OUT)	(474,336)	80,000	(86,569)	(480,905)
CHANGE IN NET ASSETS	(474,336)	99,468	(86,569)	(461,437)
NET ASSETS AT BEGINNING OF YEAR	474,336	(338,128)	86,569	222,777
NET ASSETS AT END OF YEAR	\$ -	\$ (238,660)	\$ -	\$ (238,660)

LEHI CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES			
	SWIMMING POOL	GARBAGE	AMBULANCE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
CASH RECEIVED FROM CUSTOMERS	\$ -	\$ 1,386,941	\$ -	\$ 1,386,941
CASH PAID TO SUPPLIERS	-	(1,373,030)	-	(1,373,030)
CASH PAID TO EMPLOYEES	-	-	-	-
RECEIPTS (PAYMENTS) FROM OTHER FUNDS	-	(93,911)	-	(93,911)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	-	(80,000)	-	(80,000)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
INTERGOVERNMENTAL REVENUE	-	-	-	-
TRANSFERS IN	-	80,000	-	80,000
TRANSFERS OUT	-	-	-	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	-	80,000	-	80,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	-	-	-	-
PAYMENTS MADE ON CAPITAL LEASES	-	-	-	-
INTEREST PAID ON CAPITAL LEASES	-	-	-	-
PROCEEDS FROM SALE OF CAPITAL ASSETS	-	-	-	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
INTEREST INCOME COLLECTED	-	-	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	-	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSISTS OF:				
UNRESTRICTED CASH	\$ -	\$ -	\$ -	\$ -
RESTRICTED CASH	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
BOOK VALUE OF CAPITAL ASSETS TRANSFERRED OUT				
NET OF RELATED DEBT	\$ (495,048)	\$ -	\$ (108,341)	\$ (603,389)
TRANSFERS IN	20,712	-	21,772	42,484
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
OPERATING INCOME (LOSS)	\$ -	\$ 19,468	\$ -	\$ 19,468
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
DEPRECIATION	-	-	-	-
CHANGES IN ASSETS AND LIABILITIES				
ACCOUNTS RECEIVABLE	-	(19,035)	-	(19,035)
ACCOUNTS PAYABLE	-	13,478	-	13,478
ACCRUED LIABILITIES	-	-	-	-
DUE TO OTHER FUNDS	-	(93,911)	-	(93,911)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ (80,000)</u>	<u>\$ -</u>	<u>\$ (80,000)</u>



STATISTICAL SECTION

Schedule 1
Lehi City
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ (36,977,479)	\$ (35,683,910)	\$ 76,480,271	\$ 95,663,909
Restricted	2,229,240	1,934,133	2,464,432	5,069,239
Unrestricted	18,135,240	20,634,004	11,523,200	14,183,830
Total governmental activities net assets	(16,612,999)	(13,115,773)	90,467,903	114,916,978
Business-type activities				
Invested in capital assets, net of related debt	72,442,065	78,483,565	88,606,990	111,727,736
Restricted	938,806	1,022,388	2,278,824	3,964,822
Unrestricted	5,944,956	4,439,713	2,888,003	4,861,520
Total business-type activities net assets	79,325,827	83,945,666	93,773,817	120,554,078
Primary government				
Invested in capital assets, net of related debt	35,464,586	42,799,655	165,087,261	207,391,645
Restricted	3,168,046	2,956,521	4,743,256	9,034,061
Unrestricted	24,080,196	25,073,717	14,411,203	19,045,350
Total primary government net assets	\$ 62,712,828	\$ 70,829,893	\$ 184,241,720	\$ 235,471,056

Schedule 2
Lehi City
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$ 2,480,994	\$ 2,148,621	\$ 2,473,715	\$ 3,061,330
Public Safety	3,452,452	3,641,392	4,058,050	5,591,343
Community Development	1,602,565	1,893,666	2,094,404	2,430,340
Streets and Highways	1,239,635	2,134,311	4,075,003	4,832,769
Parks, recreation, and culture	2,789,498	1,847,707	4,880,066	5,224,571
Cemetery	285,779	298,869	303,608	350,002
Other	21,444	9,264	7,597	-
Interest on long-term debt	1,435,216	3,095,006	2,228,046	2,573,686
Total governmental activities	13,307,583	15,068,836	20,120,489	24,064,041
Business-type activities				
Culinary Water	1,298,539	1,586,672	1,806,484	1,883,564
Sewer	1,817,524	2,163,724	2,529,956	2,885,779
Pressurized Irrigation	971,657	1,144,007	1,368,222	1,396,885
Electric	16,268,567	16,775,273	14,829,348	16,087,303
Drainage	392,205	390,367	434,486	440,973
Swimming Pool	318,325	304,497	235,355	-
Ambulance	364,241	386,564	381,408	-
Garbage	817,826	1,041,433	1,257,056	1,386,508
Total business-type activities	22,248,884	23,792,537	22,842,315	24,081,012
Total primary government expenses	\$ 35,556,467	\$ 38,861,373	\$ 42,962,804	\$ 48,145,053
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 770,293	\$ 976,371	\$ 1,300,040	\$ 1,671,982
Public Safety	67,203	87,388	86,129	389,767
Community Development	1,568,535	2,659,701	2,781,526	4,738,740
Streets and Highways	4,184	20,600	19,475	314,829
Parks, recreation, and culture	834,499	910,245	1,579,155	2,496,624
Cemetery	73,668	80,850	77,836	113,897
Operating grants and contributions	747,425	566,948	299,681	652,893
Capital grants and contributions	6,150,959	4,754,765	15,631,015	23,997,070
Total governmental activities	10,216,766	10,056,868	21,774,857	34,375,802
Business-type activities				
Charges for services				
Culinary Water	1,152,873	1,444,078	1,589,361	1,986,927
Sewer	1,517,513	1,629,146	1,802,658	2,071,764
Pressurized Irrigation	793,680	1,000,270	1,134,314	1,325,319
Electric	16,200,634	17,109,495	14,735,942	16,880,143
Drainage	445,165	421,334	381,558	426,361
Swimming pool	210,336	220,119	81,985	-
Ambulance	232,863	236,663	254,131	-
Garbage	735,079	961,685	1,200,183	1,405,976
Operating grants and contributions	33,976	11,690	11,308	-
Capital grants and contributions	11,062,542	5,391,982	11,178,666	26,673,151
Total business-type activities	32,384,661	28,426,462	32,370,106	50,769,641
Total primary government program revenues	\$ 42,601,427	\$ 38,483,330	\$ 54,144,963	\$ 85,145,443

Schedule 2
Lehi City
Changes in Net Assets (continued)
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Governmental activities	\$ (3,090,817)	\$ (5,011,968)	\$ 1,654,368	\$ 10,311,761
Business-type activities	10,135,777	4,633,925	9,527,791	26,688,629
Total primary government net (expense)/revenue	<u>\$ 7,044,960</u>	<u>\$ (378,043)</u>	<u>\$ 11,182,159</u>	<u>\$ 37,000,390</u>
General Revenues and Other Changes in Net Assets				
Governmental activities				
Taxes				
Property taxes	\$ 3,189,739	\$ 3,302,183	\$ 6,087,979	\$ 7,078,262
Sales taxes	2,212,632	2,356,721	1,758,008	2,462,970
Franchise taxes	1,482,720	1,608,100	1,864,640	2,186,651
Motor vehicle fees in lieu	335,782	340,504	333,893	503,721
Earnings on investments	443,235	142,183	542,371	698,566
Other	93,413	445,803	160,689	41,239
Transfers	(15,547,513)	313,700	326,900	1,165,905
Total governmental activities	<u>(7,789,992)</u>	<u>8,509,194</u>	<u>11,074,480</u>	<u>14,137,314</u>
Business-type activities				
Earnings on investments	274,376	53,429	230,544	328,593
Other	57,027	246,185	396,716	928,944
Transfers	15,547,513	(313,700)	(326,900)	(1,165,905)
Total business-type activities	<u>15,878,916</u>	<u>(14,086)</u>	<u>300,360</u>	<u>91,632</u>
Total primary government	<u>\$ 8,088,924</u>	<u>\$ 8,495,108</u>	<u>\$ 11,374,840</u>	<u>\$ 14,228,946</u>
Change in Net Assets				
Governmental activities	\$ (10,880,809)	\$ 3,497,226	\$ 12,728,848	\$ 24,449,075
Business-type activities	26,014,693	4,619,839	9,828,151	26,780,261
Total primary government	<u>\$ 15,133,884</u>	<u>\$ 8,117,065</u>	<u>\$ 22,556,999</u>	<u>\$ 51,229,336</u>

Schedule 3
Lehi City
Fund Balances, Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Reserved	\$ 1,156,872	\$ 1,934,133	\$ 2,389,930	\$ 4,626,796
Unreserved	1,931,931	3,488,074	3,657,739	4,515,495
Total general fund	<u>3,088,803</u>	<u>5,422,207</u>	<u>6,047,669</u>	<u>9,142,291</u>
All Other Governmental Funds				
Reserved	4,636,863	7,377,815	2,810,393	812,311
Unreserved, reported in:				
Debt service funds	81,336	87,250	87,690	398,620
Special revenue funds	368,022	995,839	899,461	1,018,681
Capital projects funds	2,681,334	733,467	31,494	572,749
Total all other governmental funds	<u>7,767,555</u>	<u>9,194,371</u>	<u>3,829,038</u>	<u>2,802,361</u>
Total governmental funds	<u>\$ 10,856,358</u>	<u>\$ 14,616,578</u>	<u>\$ 9,876,707</u>	<u>\$ 11,944,652</u>

Schedule 4
Lehi City
Changes in Fund Balances, Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 7,325,767	\$ 8,777,061	\$ 9,444,620	\$ 11,590,739
Licenses, fees and permits	2,240,770	3,340,344	4,283,213	6,903,211
Intergovernmental	1,186,672	1,420,442	1,062,031	1,338,970
Charges for services	1,510,792	1,967,509	2,702,550	4,587,955
Fines and forfeitures	770,293	976,371	1,300,040	1,219,282
Special assessment revenue	251,664	-	831,970	451,914
Miscellaneous	290,566	1,038,819	547,766	978,350
Interest on investments	435,532	142,183	542,371	566,413
Total revenues	14,012,056	17,662,729	20,714,561	27,636,834
Expenditures				
General government	2,197,016	2,157,039	2,351,371	3,826,086
Public Safety	3,544,002	3,651,906	3,982,637	5,424,736
Community development	1,603,289	1,882,558	2,163,457	2,493,333
Streets and highways	2,153,217	1,964,867	2,518,285	2,949,997
Parks recreation and culture	2,774,849	3,432,867	4,562,906	5,639,584
Cemetery	284,773	267,909	329,604	480,627
Other	73,463	9,264	87,616	8,598
Capital outlay	370,232	2,681,809	10,741,229	4,859,533
Debt Service				
Principal	2,713,142	7,478,960	2,113,343	1,555,506
Interest and fiscal charges	1,424,739	3,080,911	2,230,367	2,182,580
Total expenditures	17,138,722	26,608,090	31,080,815	29,420,580
Excess (deficiency) of revenues over (under) expenditures	(3,126,666)	(8,945,361)	(10,366,254)	(1,783,746)
Other Financing Sources (Uses)				
Transfers in	5,533,843	8,496,273	3,571,403	3,526,085
Transfers out	(21,081,356)	(8,182,573)	(3,244,503)	(2,963,569)
Transfer to component unit	(30,000)	-	(100,000)	-
Proceeds from capital lease	271,709	-	-	500,000
Sale of fixed assets	-	-	-	41,239
Bond and note proceeds	19,360,876	12,391,881	5,399,485	2,747,936
Total other financing sources (uses)	4,055,072	12,705,581	5,626,385	3,851,691
Net change in fund balances	\$ 928,406	\$ 3,760,220	\$ (4,739,869)	\$ 2,067,945
Debt service as a percentage of noncapital expenditures	24.7%	44.1%	21.4%	15.2%

Note: Noncapital expenditures are total expenditures less capital outlay and expenditures for capitalized assets included within the functional expenditure categories.

Schedule 5
Lehi City
Tax Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Tax	General Use and Sales Tax	Franchise Tax	Fees in Lieu of Personal Property Tax	Total
1997	\$ 1,295,766	\$ 1,199,409	\$ 161,118	\$ 159,334	\$ 2,815,627
1998	700,036	1,342,511	481,367	188,668	2,712,582
1999	771,483	1,603,597	521,700	200,775	3,097,555
2000	857,453	1,786,233	572,173	197,725	3,413,584
2001	2,050,143	2,446,381	852,345	340,265	5,689,134
2002	1,470,180	2,266,702	1,346,252	400,961	5,484,095
2003	3,294,633	2,212,632	1,482,720	335,782	7,325,767
2004	4,471,736	2,356,721	1,608,100	340,504	8,777,061
2005	4,557,879	2,688,208	1,864,640	333,893	9,444,620
2006	4,953,427	3,946,940	2,186,651	503,721	11,590,739
Growth 1997-2006	282.3%	229.1%	1257.2%	216.1%	311.7%

Note: Prior to implementation of GASB 34 in 2003 property tax revenue information is provided for general fund only.

Schedule 6
Lehi City
Direct Taxable Sales by Category
Last Six Calendar Years

Calendar Year	Category					City Direct Sales Tax Rate
	Retail	Services	Business Equipment & Utilities	Other	Total	
2001	\$ 61,748,545	\$ 16,624,210	\$ 39,916,089	\$ 19,758,783	\$ 138,047,627	1.00 %
2002	67,361,754	19,769,806	35,668,882	31,179,109	153,979,551	1.00
2003	69,038,784	17,360,572	33,581,299	32,809,516	152,790,171	1.00
2004	73,780,406	17,804,639	45,816,443	38,537,300	175,938,788	1.00
2005	81,312,086	19,627,480	49,472,357	16,675,432	167,087,355	1.00
2006	118,687,003	27,774,877	71,333,454	33,988,557	251,783,891	1.00

Source: Utah State Tax Commission

Information for years prior to 2001 is not readily available for presentation.

Schedule 7
Lehi City
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year (2)	Real Property	Personal Property (3)	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
1997	\$ 646,213,914	\$ 40,697,650	\$ 686,911,564	0.001897	868,934,537	79.1%
1998	413,301,870	43,861,401	457,163,271	0.001918	612,965,224	74.6
1999	393,074,962	40,716,942	433,791,904	0.001861	707,651,390	61.3
2000	419,241,616	47,281,026	466,522,642	0.002486	723,256,003	64.5
2001	513,373,413	48,357,888	561,731,301	0.002552	733,714,100	76.6
2002	681,393,303	35,036,732	716,430,035	0.002452	1,191,215,705	60.1
2003	834,159,420	291,471,697	1,125,631,117	0.002541	1,557,999,509	72.2
2004	852,926,407	166,657,163	1,019,583,570	0.002462	1,675,255,691	60.9
2005	1,012,159,310	142,807,609	1,154,966,919	0.002663	1,678,423,396	68.8
2006	1,597,480,058	106,666,087	1,704,146,145	0.002604	2,370,356,176	71.9

(1) Values were obtained from the Utah County Auditor and do not include properties which are taxed separately under tax increment programs. The decrease in 1998 occurred because the value of certain properties was diverted to tax increment programs. The dramatic increase in personal property in 2003 was due to a reassessment of personal property at the Micron Technology facility. The decrease in assessed and personal property values in 2004 was due to a reassessment of several large properties in Lehi.

(2) Numbers based on calendar year not fiscal year.

(3) Personal Property has been combined with centrally assessed values.

Schedule 8
Lehi City
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 1,313,567	\$ -	0%	\$ -	\$ 1,475,145	112.30
1998	842,824	-	-	-	900,026	106.79
1999	1,010,691	-	-	-	934,457	92.46
2000	1,263,887	-	-	-	1,072,322	84.84
2001	1,824,013	-	-	-	1,763,091	96.66
2002	2,284,123	-	-	-	1,974,618	86.45
2003	2,929,044	-	-	-	2,529,492	86.36
2004	2,763,289	2,137,696	77.36	143,510	2,281,206	82.55
2005	2,350,221	2,482,760	105.64	(30,316)	2,452,444	104.35
2006	3,167,943	2,962,266	93.51	138,512	3,100,778	97.88

Note: Years preceding 2004 reflect total collections, including delinquent collections, relative to the tax levy.
Year 2004 begins tracking collections by levy year as specified by GASB 44.

Source: Utah County Treasurer

(1) Fluxuations in the total tax levy are due to adjustments related to the Apline Highway EDA.

Schedule 9
Lehi City
Direct and Overlapping Sales Tax Rates
Last Seven Fiscal Years

Fiscal Year	City Direct Rate (1)	Overlapping Rates			Total
		State of Utah	Utah County	Mass Transit	
2000	1.00 %	4.75 %	0.25 %	0.25 %	6.25 %
2001	1.00	4.75	0.25	0.25	6.25
2002	1.00	4.75	0.25	0.25	6.25
2003	1.00	4.75	0.25	0.25	6.25
2004	1.00	4.75	0.25	0.25	6.25
2005	1.00	4.75	0.25	0.25	6.25
2006	1.00	4.75	0.25	0.25	6.25

Note: Overlapping rates are those of other governments and agencies that apply to taxable sales within the City.

(1) Of the total sales taxes assessed by municipalities within the state, 50 percent is distributed based on point of sale and 50 percent is pooled and distributed based on population.

Source: Utah State Tax Commission

Schedule 10
Lehi City
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	Lehi City (1)			Alpine School District	Utah County	Central Utah Water Conservancy District		Northern Utah County Water Conservancy District		Lehi Metropolitan Water District		Total
	General Fund	Debt Service Fund				Utah County	Water Conservancy District	County Water Conservancy District	Metropolitan Water District	Other		
1997	1.897	-	-	5.457	1.545	0.342	0.039	0.009	0.440	9.729		
1998	1.918	-	-	6.410	1.266	0.397	0.043	0.014	0.416	10.464		
1999	1.861	-	-	6.962	1.197	0.396	0.040	0.014	0.414	10.884		
2000	2.486	-	-	6.884	1.116	0.377	0.040	0.014	0.390	11.307		
2001	2.552	-	-	6.769	1.038	0.369	0.037	0.013	0.366	11.144		
2002	2.452	-	-	6.953	1.034	0.358	0.036	0.013	0.348	11.194		
2003	2.541	-	-	7.884	1.053	0.358	0.036	0.013	0.358	12.243		
2004	2.462	-	-	8.119	1.065	0.353	0.035	0.010	0.360	12.404		
2005	2.663	-	-	8.082	1.040	0.400	0.033	0.011	0.351	12.580		
2006	2.604	-	-	6.883	1.079	0.036	0.028	0.011	0.504	11.145		

Note: Overlapping rates are those of other governments and agencies that apply to property owners within the City. Tax rates are set by Utah County on a calendar year basis rather than a July 1 to June 30 fiscal year. Tax rates are per dollar of assessed value.

(1) The City's certified property tax rate may be increased only by a majority vote of the city council, after holding one or more truth-in-taxation public hearings.

Source: Utah State Tax Commission

Schedule 11
Lehi City
Principal Sales Tax Payers
Current Year and Two Years Ago

Taxpayer	2006			2005		
	Sales Tax (1)	Rank	Percentage of Total Sales Tax (1)	Sales Tax (1)	Rank	Percentage of Total Sales Tax (1)
Cabelas Retail	N/A	1	17.04%	N/A	-	-
Jack B Parson Co.	N/A	2	11.56	N/A	1	10.84%
Lehi City	N/A	3	3.83	N/A	4	4.66
Lone Peak Trailer Sales	N/A	4	3.80	N/A	3	5.70
Albertsons	N/A	5	3.45	N/A	2	7.50
Questar Gas Co.	N/A	6	2.60	N/A	6	2.74
Kohlers Inc.	N/A	7	2.39	N/A	5	4.57
Truck World	N/A	8	2.32	N/A	-	-
Metalmart Co.	N/A	9	1.85	N/A	7	2.50
Lehi Block	N/A	10	1.81	N/A	-	-
Vinyl Industries	N/A	-	-	N/A	8	2.39
Thanksgiving Point	N/A	-	-	N/A	9	2.08
Standard Plummers	N/A	-	-	N/A	10	1.45
Total	\$ 1,472,873		50.65%	\$ 754,333		45.97%

(1) Sales tax information is considered proprietary and cannot be shown by individual payer, so the group is shown in the aggregate.

N/A = Not applicable

Source: Utah State Tax Commission

Schedule 12
Lehi City
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2006			1997		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Micron Technology, Inc.	\$ 114,694,100	1	6.73%	\$ 381,997,352	1	58.10%
Cabelas Retail	29,833,486	2	1.75			
Thanksgiving Point L.C.	29,637,040	3	1.74	1,203,075	6	0.18
Fox Ridge Investments LLC	20,141,425	4	1.18			
Thai Properties, LLC	17,953,780	5	1.05			
Whistle Stop Development Corp.	8,165,604	6	0.48			
Point Development L.C.	7,200,000	7	0.42			
Qwest Corp	7,089,595	8	0.42	6,837,890	2	1.04
Museum of Ancient History	6,075,000	9	0.36			
Costco Wholesale Corp.	5,994,000	10	0.35			
Mountain Fuel Supply Co.				1,606,090	3	0.24
Lehi Lodging L.C.				1,579,465	4	0.24
Thomas J Peck & Sons Inc.				1,400,941	5	0.21
Metro West Ready-Mix Inc.				1,168,200	7	0.18
Union Pacific Railroad Co.				1,048,230	8	0.16
Devere Fowler LTD				989,157	9	0.15
Kohler's Market				793,374	10	0.12
Total	<u>\$ 246,784,030</u>		<u>14.48%</u>	<u>398,623,774</u>		<u>60.62%</u>

Source: Utah County Assessor

Schedule 13
Lehi City
Ratio of Outstanding Debt by Type
Last Six Fiscal Years

Fiscal Year	Governmental Activities						Business-Type Activities							Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Sales Tax Revenue Bonds	Lease Revenue Bonds	Sewer* Revenue Bonds	Excise Tax Road Bonds	Special Assessment Bonds	Capital Leases	Note Payable	Water Revenue Bonds	Sewer* Revenue Bonds	Electric Revenue Bonds	Debtage Revenue Bonds	Capital Leases	Special Assessment Bonds			
2001	\$ -	\$ 6,515,000	\$ 1,225,550	\$ 2,340,000	\$ 5,567,838	\$ 558,608	\$ 23,024,494	\$ 3,260,885	\$ 726,034	\$ 4,097,198	\$ 2,124,000	\$ 231,026	\$ 3,697,162	\$ 53,188,795	N/A	\$ 2,541
2002	-	6,455,000	1,139,825	2,075,000	5,130,998	729,974	22,004,405	3,044,230	674,797	3,905,348	2,015,000	379,108	3,534,002	\$ 51,087,687	N/A	2,118
2003	-	6,305,000	1,050,925	4,986,000	4,879,333	805,324	38,992,623	5,431,412	621,735	3,703,498	1,900,000	364,084	3,560,666	\$ 72,394,600	15.49%	2,751
2004	12,245,000	-	958,850	4,555,000	4,612,888	547,623	39,006,764	5,214,858	566,848	3,491,648	1,780,000	237,696	3,177,111	\$ 76,394,286	14.85%	2,546
2005	17,036,200	-	860,425	4,115,000	3,780,387	292,194	39,127,461	4,838,304	508,311	3,269,798	1,655,000	154,809	2,604,125	\$ 78,242,614	15.21%	2,272
2006	19,155,292	-	755,650	3,660,000	3,461,254	679,356	39,276,305	4,451,752	446,124	8,892,948	1,525,000	420,591	2,383,954	\$ 85,108,226	16.54%	2,266

1) See Schedule 23 for personal income and population data.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statement
* 63.3% of the Sewer Revenue bonds are repaid by the RDA with the remaining 36.5% payable by sewer fund

N/A=Not Available

Information prior to 2001 is not readily available for presentation

Schedule 14
Lehi City
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Other Bonds</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
1997	\$ 178,941	\$ -	\$ 178,941	0.026%	\$ 11.57
1998	-	-	-	-	-
1999	-	-	-	-	-
2000	-	-	-	-	-
2001	-	-	-	-	-
2002	-	-	-	-	-
2003	-	-	-	-	-
2004	-	-	-	-	-
2005	-	-	-	-	-
2006	-	-	-	-	-

(1) See Schedule 7 for property value data.

(2) See Schedule 23 for population data.

Schedule 15
Lehi City
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to Lehi (1)	Estimated Amount Applicable to Lehi
Lehi City	\$ 66,987,857.00	100.00 %	\$ 66,987,857
State of Utah	1,514,510,000	0.90	13,630,590
Utah County	17,440,000	7.00	1,220,800
Alpine School District	269,800,000	12.70	34,264,600
Central Utah Water Conservancy District	314,769,820	1.60	5,036,317
Total			<u>\$ 121,140,164</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Lehi. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed value by each overlapping unit's total taxable assessed value.

Sources: Utah State Tax Commission; Alpine School District; Utah County Auditor's Office; Central Utah Water Conservancy District

Schedule 16
Lehi City
Legal Debt Margin Information
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 29,029,063	\$ 24,518,609	\$ 28,306,056	\$ 28,930,240	\$ 29,348,564	\$ 47,648,628	\$ 62,319,980	\$ 67,010,228	\$ 67,136,936	\$ 94,814,247
Total debt applicable to limit	178,941	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 28,850,122</u>	<u>\$ 24,518,609</u>	<u>\$ 28,306,056</u>	<u>\$ 28,930,240</u>	<u>\$ 29,348,564</u>	<u>\$ 47,648,628</u>	<u>\$ 62,319,980</u>	<u>\$ 67,010,228</u>	<u>\$ 67,136,936</u>	<u>\$ 94,814,247</u>
Total debt applicable to the limit as a percentage of debt limit										

Legal Debt Margin Calculation for Fiscal Year 2006

Estimated market value	\$ 2,370,356,176
Debt limit (4% of market value)	94,814,247
Debt applicable to limit	-
Legal debt margin	<u>\$ 94,814,247</u>

Source: Utah State Tax Commission; Utah County Auditor's Office

Schedule 17
Lehi City
Pledged-Revenue Coverage
Water Revenue Bonds
Last Ten Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1997	\$ 1,613,513	\$ 642,133	\$ 971,380	\$ 247,564	\$ 234,334	\$ 481,898	2.02
1998	1,654,885	658,598	996,287	199,809	131,611	331,420	3.01
1999	2,705,317	940,009	1,765,308	173,565	156,855	330,420	5.34
2000	2,663,776	934,196	1,729,580	174,615	189,488	364,103	4.75
2001	2,889,463	1,195,619	1,693,844	215,635	241,468	457,103	3.71
2002	2,995,023	1,503,953	1,491,070	216,655	234,224	450,879	3.25
2003	3,565,066	1,467,649	2,097,417	270,000	188,123	458,123	5.33
2004	4,314,572	1,517,999	2,796,573	215,000	178,461	393,461	7.11
2005	5,745,050	1,885,130	3,859,920	375,000	181,287	556,287	6.94
2006	7,097,064	1,921,382	5,175,682	385,000	170,345	555,345	9.32

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Total revenue (including interest and impact fees). Amounts shown are for culinary water and secondary water combined.
 (2) Total operating expenses exclusive of depreciation. Amounts shown are for culinary water and secondary water combined.
 (3) Amounts shown are for culinary water and secondary water.

Schedule 18
Lehi City
Pledged-Revenue Coverage
Sales Tax Revenue Bonds
Last Ten Fiscal Years

Fiscal Year	Sales Tax Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1997	\$ 1,199,409	\$ -	\$ -	\$ -	-
1998	1,199,409	-	-	-	-
1999	1,342,511	-	-	-	-
2000	1,603,597	-	-	-	-
2001	1,786,233	-	-	-	-
2002	2,446,381	-	-	-	-
2003	2,266,702	-	-	-	-
2004	2,212,632	-	122,117	122,117	18.12
2005	2,356,721	460,000	464,929	924,929	2.55
2006	2,688,208	480,000	454,353	934,353	2.88

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Schedule 19
Lehi City
Pledged-Revenue Coverage
Excise Tax Road Bonds
Last Eight Fiscal Years

Fiscal Year	Excise Tax Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1997	\$ 503,752	\$ -	\$ -	\$ -	-
1998	529,763	-	-	-	-
1999	554,521	-	-	-	-
2000	643,476	-	102,757	102,757	6.26
2001	665,089	210,000	98,727	308,727	2.15
2002	742,333	215,000	90,674	305,674	2.43
2003	822,755	225,000	86,652	311,652	2.64
2004	963,466	425,000	163,526	588,526	1.64
2005	791,544	440,000	149,467	589,467	1.34
2006	1,019,426	455,000	134,420	589,420	1.73

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Schedule 20
Lehi City
Pledged-Revenue Coverage
Sewer Revenue Bonds
Last Ten Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1997	\$ 1,269,943	\$ 989,157	\$ 280,786	\$ -	\$ 70,771	\$ 70,771	3.97
1998	1,302,506	1,014,520	287,986	110,000	119,287	229,287	1.26
1999	1,633,279	1,012,492	620,787	115,000	114,923	229,923	2.70
2000	1,705,778	1,151,625	554,153	120,000	110,045	230,045	2.41
2001	1,770,266	1,317,938	452,328	125,000	104,775	229,775	1.97
2002	1,887,350	1,320,449	566,901	135,000	99,054	234,054	2.42
2003	1,994,768	1,379,930	614,838	140,000	92,865	232,865	2.64
2004	2,329,374	1,690,985	638,389	145,000	86,309	231,309	2.76
2005	2,772,212	2,023,456	748,756	155,000	78,520	233,520	3.21
2006	3,866,141	2,322,166	1,543,975	165,000	69,400	234,400	6.59

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Total revenue (including interest and impact fees and debt service funded by the RDA).
(2) Total operating expenses exclusive of depreciation.

Schedule 21
Lehi City
Pledged-Revenue Coverage
Electric Revenue Bonds
Last Ten Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1997	\$ 4,150,474	\$ 2,955,742	\$ 1,194,733	\$ -	\$ -	\$ -	-
1998	4,235,178	3,016,063	1,219,115	-	-	-	-
1999	4,858,313	3,232,725	1,625,588	205,000	136,857	341,857	4.76
2000	5,812,763	3,825,533	1,987,230	190,000	195,922	385,922	5.15
2001	7,444,257	7,682,301	(238,044)	195,000	189,272	384,272	(0.62)
2002	15,539,866	15,404,290	135,576	191,850	172,154	364,004	0.37
2003	16,896,727	14,912,552	1,984,175	210,000	174,654	384,654	5.16
2004	17,575,468	15,387,330	2,188,138	220,000	166,570	386,570	5.66
2005	16,188,046	13,302,032	2,886,014	230,000	157,880	387,880	7.44
2006	21,075,694	14,237,620	6,838,074	230,000	148,680	378,680	18.06

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Total revenue (including interest and impact fees).

(2) Total operating expenses exclusive of depreciation.

Schedule 22
Lehi City
Pledged-Revenue Coverage
Drainage Revenue Bonds
Last Seven Fiscal Years

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2000	\$ 291,329	\$ 8,431	\$ 282,898	\$ -	\$ -	\$ -	-
2001	452,545	2,434	450,111	75,000	-	75,000	6.00
2002	432,424	2,250	430,174	110,000	113,002	223,002	1.93
2003	461,452	31,166	430,286	115,000	107,722	222,722	1.93
2004	430,649	7,012	423,637	120,000	102,087	222,087	1.91
2005	399,467	33,387	366,080	125,000	96,087	221,087	1.66
2006	732,353	10,294	722,059	130,000	89,837	219,837	3.28

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Drainage fund created in 2000.

- (1) Total revenue (including interest and impact fees).
(2) Total operating expenses exclusive of depreciation.

Schedule 23
Lehi City
Demographic and Economic Statics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (1)	Per Capita Personal Income (2)	Unemployment Rate (3)
1997	15,466	\$ N/A	\$ N/A	2.3 %
1998	17,128	N/A	N/A	2.8
1999	18,325	N/A	N/A	3.1
2000	19,028	N/A	N/A	3.1
2001	20,930	N/A	N/A	3.2
2002	24,122	N/A	N/A	4.9
2003	26,314	467,532,604	19,382	4.0
2004	30,000	514,465,014	19,551	3.8
2005	34,433	613,170,000	20,439	3.6
2006	37,558	727,224,960	21,120	2.5

(1) Estimates of total personal income are derived by multiplying per capita personal income amounts by the corresponding population.

(2) Per capita personal income amounts are for Utah County. The amounts shown are for the calendar year that ended during the specified fiscal year, e.g., amounts for calendar year 2005 are shown in fiscal year 2006. Amounts for calendar year 2005 are estimated at 2 percent greater than calendar year 2004 amounts.

(3) Unemployment rates are for Utah County. The rates shown are for the calendar year that ended during the specified fiscal year, e.g., rates for calendar year 2005 are shown in fiscal year 2006.

N/A = Not available

Sources: Population information provided by the Lehi Planning Department. Per capita personal income information provided by the Governor's office of Planning & Budget. Unemployment rates provided by the U.S. Department of Labor, Bureau of Labor Statistics.

Schedule 24
Lehi City
Principal Employers
Current Year and Nine Years Ago

Employer	2006 (1)			1997 (1)		
	Estimated Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
IM Flash	1,000	1	N/A	N/A	1	N/A
Xango	600	2	N/A	N/A	2	N/A
Cabela's	400	3	N/A	N/A	3	N/A
Thanksgiving Point	350	4	N/A	N/A	4	N/A
Hadco	274	5	N/A	N/A	5	N/A
Jack B Parson Co.	250	6	N/A	N/A	6	N/A
Costco	200	7	N/A	N/A	7	N/A
Young Living	120	8	N/A	N/A	8	N/A
Lowe's	117	9	N/A	N/A	9	N/A
Albertsons	90	10	N/A	N/A	10	N/A

(1) The City has not collect employee information as part of the business license or any other process.

N/A = Not Available

Schedule 25
Lehi City
Full-time Equivalent City Government Employees by Function/Program
Last Three Fiscal Years

Function/Program	2004	2005	2006
General government			
Court	3.5	5	6
Administrative	5.5	6.5	7.5
Treasury	4	4.5	5.5
Finance	4	4.5	4.5
Legislative (1)	6	6	6
Public safety			
Police	32	35.5	37.5
Fire	22	22	27
Animal Control	1	1	1
Community development			
Public Works Administration	4.5	5	5
Planning and Zoning	6	7.5	7.5
Inspections	7.5	9	10
Streets and Highways			
Streets and Public Improvements	10	9.5	11
Park, recreation and culture			
Parks	5.5	12.5	17.5
Senior Citizens	2	3	3
Recreation	47	109.5	113.5
Library	10.5	13	13
Cemetery	2.5	3.5	3.5
Culinary Water	8	8.5	8.5
Sewer	2.5	3	3
Power	15.5	16	17
Garbage (2)	-	-	-
Secondary Water	2.5	2.5	3.5
Drainage (3)	-	-	-

Note: Full-time equivalent employees shown are based on authorized positions as determined by the salary schedule and the personnel budgets for the specified year.

- (1) Legislative is made up of a part-time mayor and 5 part-time council members.
- (2) Garbage service is contracted out to a private hauler.
- (3) The public works director oversee drainage. The cleaning and necessary repairs are done by all three water departments.

Schedule 26
Lehi City
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Community development										
Residential building permits issued	113	103	548	442	437	637	307	817	1,188	1,452
Commercial building permits issued	21	6	18	62	50	53	16	47	29	34
Court										
Traffic and Misdemeanor cases handled	3,029	3,188	3,356	3,532	3,718	3,914	4,120	8,706	9,482	12,776
Police										
Calls for service	5,339	5,740	6,170	6,633	7,130	7,665	8,240	15,000	11,453	12,252
Arrests	426	460	497	537	579	625	675	712	760	816
Violations cited	4,575	4,973	5,405	5,875	6,386	6,941	7,545	11,095	12,264	13,712
Fire										
Fire/Medical responses	893	981	1,078	1,053	1,158	1,272	1,398	1,576	1,690	2,213
Recreation										
Recreation programs	43	45	46	48	50	51	53	55	60	62
Participants in recreation programs	3,195	3,847	4,232	4,965	6,213	6,913	7,691	891	11,057	12,176
Library										
Books in collection	11,168	12,323	13,597	15,004	16,555	18,268	20,157	21,457	22,820	24,959
Books circulated	107,062	123,060	141,448	162,584	186,878	214,802	246,899	273,811	304,798	268,383
Cemetery										
Cemetery	28	28	28	30	30	30	30	35	35	35
Acres maintained	20,808	20,928	21,048	21,168	21,288	21,408	21,528	21,648	21,768	21,888
Culinary Water										
Residential accounts serviced	3,880	4,100	4,349	4,525	5,108	5,769	6,271	6,985	8,548	9,605
Average daily consumption (thousands of gallons)	904	982	1,068	1,161	1,261	1,371	1,490	1,770	1,847	1,729
Sewer										
Sewer lines miles inspected	42	44	46	49	51	54	57	66	77	75
Power										
Accounts serviced	4,120	4,271	4,475	6,142	6,411	6,515	7,082	7,887	9,381	10,123
Megawatt hours sold	163	177	192	209	227	247	268	159	171	172
Secondary Water										
Accounts serviced	3,880	4,100	4,349	4,525	5,108	5,769	6,271	6,958	8,548	9,607

Schedule 27
Lehi City
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Streets and Highways										
Street lights	608	724	754	778	818	1,032	1,105	1,217	1,297	1,436
Street miles	79	85	88	90	92	110	123	144	169	195
Police										
Vehicles	14	15	17	18	19	21	23	25	27	30
Fire										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire vehicles	6	6	6	7	7	7	7	7	7	7
Ambulances	2	2	2	2	3	3	3	3	3	3
Public works										
Incorporated area in square miles	14	18	20	21	22	26	28	32	32	32
City building in square feet	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	212,000	220,000
Parks and recreation										
Park acreage	29	49	110	118	118	160	160	168	181	195
Baseball/softball diamonds	5	5	5	5	5	5	8	8	8	8
Soccer fields	-	1	2	3	3	3	4	4	4	4
Culinary water										
Water main line miles	80	112	120	127	136	148	151	163	178	201
Storage capacity (thousands of gallons)	1,500	1,500	3,500	4,300	4,300	4,300	5,000	5,000	7,000	10,000
Sewer										
Sewer line miles	55	75	90	92	108	108	114	132	134	141
Secondary water										
Secondary water main line miles	65	97	110	113	121	129	138	147	163	186
Power										
Power main feeder line miles	75	114	114	131	148	165	183	187	189	205

N/A = Not available

Schedule 28
Lehi City
Impact Fee Schedule

Lehi City collects impact fees in the areas detailed below. The following is a summary of the impact fees outstanding at June 30, 2006 by year of collection:

	CULINARY WATER	PRESSURIZED IRRIGATION	SEWER	ELECTRIC	ROAD	PARKS
Fiscal year 2005			62,323	-	-	1,053,356
Fiscal year 2006	1,199,786	1,214,946	802,143	685,624	1,543,524	2,203,165
Unspent impact fees - June 30, 2006	1,199,786	1,214,946	864,466	685,624	1,543,524	3,256,521
Budgeted expenditures for capital projects in fiscal year 2007, for which impact fees will be used:	(1,100,000)	(900,000)	(200,000)	(5,000,000)	(1,120,000)	(2,500,000)
Estimated unspent impact fees - June 30, 2007	99,786	314,946	664,466	(4,314,376)	423,524	756,521

Lehi City will budgeted to use all unspent impact fee funds within fiscal years 2008, 2009, 2010 and 2011.

LEHI CITY CORPORATION
REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

REPORT ON STATE LEGAL COMPLIANCE

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2006

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

**REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Honorable Mayor and Members of the City Council
Lehi City Corporation, Utah

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lehi City Corporation, Utah (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City in a separate letter dated December 1, 2006.

This report is intended solely for the information and use of the City Council, management, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Bakula PLLC

December 1, 2006

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON STATE LEGAL COMPLIANCE IN ACCORDANCE WITH STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Honorable Mayor and Members of the City Council
Lehi City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lehi City Corporation, Utah (City), for the year ended June 30, 2006, and have issued our report thereon dated December 1, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds	(Department of Transportation)
Liquor Law Enforcement	(State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's Financial statements.)

Land and Water Conservation Fund Program	(Department of Natural Resources, Division of State Parks and Recreation)
Library Grants	(Department of Community and Economic Development, State Library Division)

Our audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Other General Issues
Cash Management	Budgetary Compliance
Purchasing Requirements	Justice Court
B & C Road Funds	Liquor Law Enforcement
Truth in Taxation & Property Tax	Uniform Building Code
Limitations	Standards
Impact Fees	Asset Forfeiture

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above

occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Lehi City Corporation, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Osborne Robbins & Behler PLLC

December 1, 2006

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

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Honorable Mayor and Members of the City Council
Lehi City Corporation, Utah

In planning and performing our audit of the financial statements of Lehi City Corporation (the City) for the year ended June 30, 2006, we noted certain other matters for your consideration. This letter summarizes our comments and suggestions regarding those other matters. Also, included are descriptions of immaterial instances of noncompliance. This letter does not affect our report dated December 1, 2005, on the financial statements of the City. Also, reportable conditions and material internal control weaknesses, if any, are included in our report dated December 1, 2006, in accordance with *Government Auditing Standards*.

STATE OF UTAH LEGAL COMPLIANCE

Fund Balance

State law requires that a reduction in fund balance be budgeted when unrestricted fund balance exceeds 18% of budgeted revenues. At June 30, 2006, the unrestricted fund balance is approximately 23% of the 2006-2007 budgeted revenues, not including budgeted impact fee revenue.

Recommendation

The City is required to budget the excess within the next budget year (fiscal year 2007-2008).

Management Response and Action Plan

Management will budget the required reduction in unrestricted fund balance in the general fund and anticipates reducing fund balance to the required level by June 2008.

Impact fee refunds

According to state law, refunds of impact fees that have been previously paid to the City, in connection with the issuance of a building permit, are to include interest earned on the amounts that had been remitted to the City. We noted several instances wherein a refund of impact fees did not include the required interest amounts.

Recommendation

We recommend the City develop procedures wherein refunds of impact fees are reviewed for reasonableness and, as part of that review, verification that interest was appropriately included in the refund amount.

Management Response and Action Plan

The City agrees with this recommendation and will establish procedures to review the refunds and calculate interest to be paid with the refund.

OTHER COMMENTS AND RECOMMENDATIONS

Bank reconciliations

Procedures used to reconcile the cash accounts need to include a matching of credit card transactions and electronic transfers clearing the bank with the transactions recorded in the general ledger. It is only through a comprehensive reconciliation of all transactions that reconciling items such as outstanding checks, deposits in transit and other reconciling items can be verified.

Recommendation

Procedures used to reconcile the bank accounts need to be documented in writing. Reconciliations should be reviewed and the review should be documented by the reviewer signing off the reconciliation. Reconciling items should be documented with detail listings and explanations of unusual items.

Management Response and Action Plan

The city is addressing this area through the following plan:

1. The finance department has hired an outside accounting consultant to assist in the creation and implementation of procedures that will comprehensively reconcile cash accounts.
2. Key personnel, including the Finance Director, the Treasurer, and the Senior Accountant will meet on a regular basis with the outside accounting consultant to review the reconciliation of all cash accounts and to ensure that procedures meeting the above recommendation have been established.
3. The City's bank has been contacted and has agreed to provide additional detail regarding the cash receipting of credit cards and online payments. This will facilitate the matching of cash receipts between the bank records and the general ledger.

Accumulated Deficits

At year end, the Garbage Fund had an accumulated deficit of \$238,660.

Recommendation

Management should reevaluate rates charged in this fund for its services and activities to ensure that revenues are sufficient to cover the operating expenses of the fund. If rates are not sufficient, transfers from the General fund or other sources should be budgeted and paid.

Management Response and Action Plan

The City acknowledges the deficit incurred by the Garbage Fund and has already taken steps to reduce the deficit. The City Council approved a City-wide recycling program, which is designed to reduce the waste stream to the solid waste transfer station where a majority of the costs occur. The City is also looking at a voluntary green waste program that will further reduce the amount of waste taken to the solid waste transfer station, resulting in lower tipping fees while collecting the same amount of revenue.

Reconciliation of landscape/sidewalk bonds and trust funds payable

Currently, the City has not implemented a system to reconcile landscape/sidewalk bonds payable to the liability recorded in the general ledger associated with these bonds. When the City receives such funds that are to be kept in trust, they are deposited into the City's main account, but currently a list is not maintained to identify which specific bonds are outstanding.

Recommendation

The Planning Department should prepare a spreadsheet to maintain a log of the bonds received by the City. This log should show the receipt, the status at any given time and the disposition of the funds as applicable. The log should be reconciled to the general ledger account that consists of the outstanding liability associated with the bonds. The log should be provided to the Senior Accountant at the end of each month for review.

Management Response and Action Plan

The Planning Department will prepare a listing of outstanding landscape/sidewalk bonds payable, reconcile the outstanding amounts to the general ledger and provide the reconciliation to the accounting manager.

This report is intended solely for the information and use of the City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robinson & Babler PLLC

December 1, 2006



153 North 100 East • P.O. Box 255 • Lehi, Utah 84043 - 1895
768-7100 • Fax: 768-7101

April 12, 2007

MacRay A. Curtis, CPA
Director, Local Government Division
State of Utah
Office of the State Auditor
PO Box 142310
Salt Lake City, Utah 84114-2310

Dear Mr. Curtis,

This letter is in regard to your letter dated March 14, 2007 concerning Lehi City's financial report for year ending June 30, 2006 and Lehi City's failure to comply with Utah State statutes.

Your letter indicated Lehi City failed to comply with fund balance limitations as outlined in Utah State law. Because of this violation Lehi City needs to provide in writing a corrective action plan and contact person responsible for this plan.

First, allow me to say that it is not Lehi City's intension to ignore or be noncompliant with any Utah State statute. Plans have already been made to insure this noncompliance issue does not occur again. The corrective action plan to insure fund balance limitations are not exceeded will be to budget surplus more accurately and timely as well as transfer unused funds to the capital project fund to pay for projects in future years. Taking these much needed steps should insure that fund balance limitations are met.

It is my responsibility to ensure this corrective action plan is put into place and that it is carried out. I can be contacted at 801-768-7100 or by email at rfoggin@lehicity.com.

Sincerely,

Ron Foggin
Finance Director